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**BACKGROUND MATERIALS
Wednesday, March 15, 2017**

- | | |
|---|--------------|
| 1. Single Audit Report
Annual audited report on financial information for federal programs. | Tab 1 |
| 2. WYSU-FM Annual Report
Annual audited report on financial information for WYSU-FM. | Tab 2 |
| 3. Audit Subcommittee Charter and Internal Audit Charter | Tab 3 |

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2016 and 2015

YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

November 3, 2016

Two years of strategic and innovative planning across the Youngstown State University (YSU or University) campus began to show significant results in fiscal year 2016 as enrollment increased for the first time in six years, the University implemented a deficit-free operating budget for the first time in five years and fund-raising successes reached historic highs.

While University leaders, students, faculty, staff and supporters should be commended for their hard work and commitment to achieving these important milestones, we cannot rest on our laurels. Much work remains as we continue to increase excellence and move the University forward.

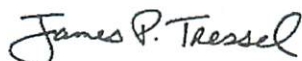
Highlights of this past fiscal year include:

- The \$169.8 million fiscal year budget was the first in five years without a structural operating deficit.
- For the first time in six years, fall semester enrollment increased, up 2.3%. In addition, the incoming freshmen class boasted the highest standardized test scores and high school GPAs in the University's history.
- The YSU Foundation raised \$20.5 million in private gifts, up from \$13 million in 2015 and \$6.2 million in 2014.
- University residence halls are at capacity, and the new private University Edge apartments are full. A second phase of University Edge is set to open Fall 2017.
- YSU partnered with Barnes & Noble College to manage the University bookstore in Kilcawley Center. Construction on a standalone Barnes & Noble bookstore will start soon.
- The University implemented several initiatives to reduce student costs and debt, including freezing tuition, fees, increasing tuition bulk rates and reducing the number of credits required to earn a degree.
- Students and faculty continued to achieve on the highest level, including Ashley E. Orr, the first YSU student to receive the prestigious international Rhodes Scholar award, and Eric MacDonald, a global scholar in additive manufacturing, named the first YSU Friedman Chair in Engineering.

Fiscal year 2017 brings with it even more opportunities. The University is in the midst of re-accreditation by the Higher Learning Commission, an in-depth process that allows us to benchmark our outcomes. YSU also looks to this new fiscal year to continue planning for the Mahoning Valley Innovation and Commercialization Center, an entrepreneurial hub that will allow for education, research and state-of-the art manufacturing laboratories. And, while traffic will be disrupted by the construction, we look forward to the major enhancements underway on two important roadways on campus, Wick and Lincoln Avenues.

As we put fiscal year 2016 behind us and look forward to the many achievements to come in fiscal year 2017, we remain sharply focused on providing the services that will ensure the success of our students. Our goal remains to increase excellence across all levels of the institution.

Sincerely yours,



James P. Tressel
President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Youngstown State University Foundation, which represents the entire discretely presented component unit of the University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Youngstown State University Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and its discretely presented component unit, as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 21, the Schedules of the University's Proportionate Share of the Net Pension Liability on page 60, and the Schedules of the University's Contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Message from President Tressel, Board of Trustees listing and Principal Administrators listing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Message from President Tressel on page 1, Board of Trustees listing on page 62, and Principal Administrators listing on page 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2016 with comparative information for the fiscal years ended June 30, 2015 and June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

Youngstown State University, an urban research university, emphasizes a creative, integrated approach to education, scholarship, and service. The University places students at its center; leads in the discovery, dissemination, and application of knowledge; advances civic, scientific, and technological development; and fosters collaboration to enrich the region and the world.

Youngstown State University traces its beginnings to a commercial law course offered by the Young Men's Christian Association (YMCA) in 1908. The YMCA had offered high school level and vocational courses since 1888, but wanted to meet the college-level needs of area residents in a society undergoing rapid industrialization and urbanization. The YMCA offered courses on law, business and engineering; and in 1910, even instituted a School of Law that granted no degree, but prepared students to take the bar exam. In 1916, the YMCA incorporated all of its education work under the Youngstown Association School. By the early 1920's the Ohio Board of Education granted the School of Law the power to confer the Bachelor of Science in Law degree and in 1924 the School of Commerce and Finance the right to confer the bachelor's degree in commercial science. The YMCA also offered courses to prepare teachers for certification, a program that evolved by 1927 into a separate school named Youngstown College and recognized by the State Department of Education. Throughout the 1920s, the schools of law and commercial science were called the Youngstown Institute of Technology, which began a move from downtown to the present location with the purchase of several mansions owned by the Wick family.

In 1931, the YMCA constructed its first building, the present-day Jones Hall, and appointed Howard Jones as the educational director. By the mid-1930s, the Board of Directors decided to incorporate with the official name of Youngstown College separate from the other YMCA educational efforts; they appointed Howard Jones as the first president, a position he held until 1966. In 1944, the trustees of the YMCA transferred control of the institution to the members of the Corporation of Youngstown College, and in 1955 the corporation was rechartered as The Youngstown University. The University joined the Ohio system of higher education in September 1967 as Youngstown State University.

Dana's Musical Institute, founded in nearby Warren in 1869, became Dana's Musical Institute of Youngstown College in 1941. In 1946, the Engineering Department, organized several years before, became the William Rayen School of Engineering; two years later, the Business Administration Department became the School of Business Administration; and in 1981 the school name was changed to the Warren P. Williamson, Jr. School of Business Administration. In 1960, the Education Department became the School of Education. The Graduate School and College of Applied Science and Technology were created in 1968, and, in 1974, the College of Fine and Performing Arts was established. In 1972, Youngstown State University, with the University of

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Akron and Kent State University formed a consortium to sponsor the Northeastern University's College of Medicine, which enrolled its first students in 1975. In 1991 the engineering technology departments separated from the College of Applied Science and Technology and joined the new College of Engineering and Technology; the remaining departments formed the new College of Health and Human Services. In 2007, the Rayen College of Engineering and Technology incorporated the science and mathematics departments from the College of Arts and Sciences. This reorganization linked science, technology, engineering and mathematics on one hand, and the humanities and social sciences on the other.

Youngstown State University consists of the College of Graduate Studies and six undergraduate colleges: the Williamson College of Business Administration; the Beeghly College of Education; the College of Creative Arts & Communication; the Bitonte College of Health and Human Services; the College of Liberal Arts and Social Sciences; and the College of Science, Technology, Engineering, and Mathematics. Degrees offered include associate, bachelor's, master's, and doctorate.

The University is located on a 145-acre campus near downtown Youngstown, Ohio and is equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. Fall 2016 enrollment was 12,756.

Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

During fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revised accounting for pension costs and liabilities.

Prior to GASBs 68 and 71, the accounting for pension costs, was focused on a funding approach, which limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan's *net pension liability*.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Under the new standards required by GASBs 68 and 71, the net pension liability equals the University's proportionate share of each pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits. Pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. The unfunded portion of this pension promise is a present obligation, part of a bargained-for benefit to the employee, and should be reported by the University as a liability since the benefit of the exchange was received.

However, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. The University is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by the State statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the public employer. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASBs 68 and 71, the University's statements, prepared on an accrual basis of accounting, include an annual pension expense for the proportionate share of each pension plan's *change* in net pension liability.

Overall key presentation elements of the financial statements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State of Ohio (State) appropriations, certain grants, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35.
- University scholarships that represent reduced tuition (i.e. are applied to student accounts rather than refunded to students) are shown as a reduction of tuition, fees and other student charges, while payments made directly to students are presented as scholarship expense. Third party scholarships are treated as though the students made the payments themselves.
- Capital assets are reported net of accumulated depreciation.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, The Youngstown State University Foundation (YSUF or Foundation) is treated as a component unit of the University. The Foundation is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. Additional information on component units is contained in Note 16. Management's Discussion and Analysis focuses on the University and does not include the component unit.

The Statements of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the Statement of Net Position. Net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 was as follows.

	June 30, 2016	June 30, 2015	June 30, 2014
Assets			
Current assets	\$ 69,021,130	\$ 66,419,457	\$ 66,718,238
Noncurrent assets			
Capital assets, net	214,466,245	198,752,775	201,160,882
Other assets	28,553,736	26,855,908	29,900,130
Total noncurrent assets	<u>243,019,981</u>	<u>225,608,683</u>	<u>231,061,012</u>
Total Assets	<u>312,041,111</u>	<u>292,028,140</u>	<u>297,779,250</u>
Deferred Outflows of Resources	26,126,689	10,611,171	-
Liabilities			
Current liabilities	24,043,294	22,283,707	23,369,754
Noncurrent liabilities	235,587,218	204,168,166	79,389,827
Total Liabilities	<u>259,630,512</u>	<u>226,451,873</u>	<u>102,759,581</u>
Deferred Inflows of Resources	15,366,387	18,680,757	382,500
Total Net Position	<u>\$ 63,170,901</u>	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>
Net Position			
Net investment in capital assets	\$ 134,289,273	\$ 132,793,340	\$ 133,638,628
Restricted	29,783,434	30,045,809	29,377,651
Unrestricted	(100,901,806)	(105,332,468)	31,620,890
Total Net Position	<u>\$ 63,170,901</u>	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than one year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Also included are receivables deemed to be collectible in more than one year and capital assets. Current assets increased \$2.6 million from fiscal year 2015 to fiscal year 2016 and remained flat from fiscal year 2014 to fiscal year 2015. Noncurrent assets increased \$17.4 million from fiscal year 2015 to fiscal year 2016 and decreased \$5.5 million from fiscal year 2014 to fiscal year 2015.

Deferred outflows of resources include resources where the consumption is applicable to a future reporting period, but does not require further exchange of service. Deferred outflows include items relating to pensions and increased \$15.5 million from fiscal year 2015 to fiscal year 2016 and increased \$10.6 million from fiscal year 2014 to fiscal year 2015.

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities and include debt, compensated absences, and net pension liability. Current liabilities increased \$1.8 million from fiscal year 2015 to fiscal year 2016 and decreased \$1.1 million from fiscal year 2014 to fiscal year 2015. Noncurrent liabilities increased \$31.4 million from fiscal year 2015 to fiscal year 2016 and increased \$124.8 million from fiscal year 2014 to fiscal year 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Deferred inflows of resources include unamortized concession arrangements and items relating to pensions. Deferred inflows of resources decreased \$3.3 million from fiscal year 2015 to fiscal year 2016 and increased \$18.3 million from fiscal year 2014 to fiscal year 2015.

Assets

Assets primarily consist of cash and cash equivalents, investments, receivables and capital assets. The following table summarizes balances at:

	June 30, 2016	June 30, 2015	June 30, 2014
Cash and cash equivalents	\$ 15,893,972	\$ 11,472,553	\$ 16,762,273
Investments	63,322,045	63,058,179	60,725,589
Accounts, loans and pledges receivable, net	16,632,850	15,579,115	15,237,373
Capital assets, net	214,466,245	198,752,775	201,160,882
Other	1,725,999	3,165,518	3,893,133
Total Assets	<u>\$ 312,041,111</u>	<u>\$ 292,028,140</u>	<u>\$ 297,779,250</u>

Cash and cash equivalents increased \$4.4 million or 38.5% from fiscal year 2015 to fiscal year 2016. The increase was primarily due to unspent note proceeds of \$3.3 million for an energy conservation project financed during fiscal year 2016 and an overall net decrease in cash used in operating activities. Deposits held by Trustee totaled \$3.7 million at June 30, 2016 compared to \$1.7 million at June 30, 2015. Investments remained flat from fiscal year 2015 to fiscal year 2016. Endowment principal and operating reserves are included in noncurrent assets and are invested in long term maturities. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Overall, net accounts, loans and pledges receivable increased \$1 million from \$15.6 million at June 30, 2015 to \$16.6 million at June 30, 2016. Net accounts increased \$2.3 million or 21%. The increase was due to several factors including increased year end activity on a new state grant and several capital projects, an increase in funds raised by YSUF on behalf of YSU in the month of June over the prior year, as well as the timing of receipt of gifts used to support the fiscal year operations of a Center on campus. An increase was also noted due to the implementation of the College Credit Plus program in the Fall of 2015. Net loans decreased \$0.3 million due to a decrease in the number of Perkins loans disbursed in fiscal year 2016 compared to prior years. Net pledges decreased \$0.9 million or 35% primarily due to payments on pledges for the Williamson College of Business Administration (WCBA). See Notes 5 and 6 for additional information.

Cash and cash equivalents decreased \$5.3 million or 32% from fiscal year 2014 to fiscal year 2015. Decreased enrollment, a shift of cash to equities, spending of prior year's bond proceeds to fund various campus projects and the impact of a change in the direct loan disbursement policy contributed to the decrease. Deposits held by Trustee totaled \$1.7 million at June 30, 2015 compared to \$3.7 million at June 30, 2014. Investments increased \$2.3 million or 4% from fiscal year 2014 to fiscal year 2015 largely due to a shift of cash to equities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, net accounts, loans and pledges receivable increased slightly from \$15.2 million at June 30, 2014 to \$15.6 million at June 30, 2015. Net accounts increased \$2.1 million or 25% largely due to the timing of receipt of student federal direct loans, resulting from changes in disbursement policies. Net loans decreased \$300,000 due to a decrease in the number of Perkins loans disbursed in fiscal year 2015 compared to prior years. Net pledges decreased \$1.5 million or 36% due to payments on pledges for the WCBA Building and the WATTS Indoor Athletic Facility.

At June 30, 2016, the University had \$214,466,245 in capital assets, net of accumulated depreciation. Depreciation totaled \$11,059,009, \$11,455,171, and \$11,243,549 in fiscal years 2016, 2015, and 2014 respectively. Details of net capital assets are shown below.

	June 30, 2016	June 30, 2015	June 30, 2014
Land	\$ 16,149,400	\$ 16,093,678	\$ 15,692,070
Buildings, net	111,129,063	116,250,393	120,052,098
Improvements to buildings, net	44,170,107	37,309,800	34,065,430
Improvements other than buildings, net	18,430,219	16,922,143	17,270,296
Construction in progress	18,623,424	6,129,774	6,577,088
Moveable equipment and furniture, net	4,833,535	5,212,193	6,636,913
Vehicles, net	295,031	199,328	231,521
Historical treasures	835,466	635,466	635,466
Total Capital Assets, net	<u>\$ 214,466,245</u>	<u>\$ 198,752,775</u>	<u>\$ 201,160,882</u>

Major capital activity during fiscal year 2016 included completion of the Melnick Hall renovation, electrical substation refurbishment and expansion, stadium lighting upgrade, and football scoreboard system. In addition, three campus buildings received new roofs, restroom renovations were completed in three buildings, and elevator repairs were completed in two buildings. Construction in progress includes construction of a steam plant, which will enable YSU to produce its own steam heat, as well as building exterior repairs and updates to the Wick Parking Deck.

Major capital activity during fiscal year 2015 included completion of the Veteran's Resource Center, the second phase of the DeBartolo Hall improvements, and renovations to Beeghly Center. In addition, six campus buildings received new roofs and elevator repairs were completed in four buildings. Construction in progress includes continued construction on Melnick Hall, additional roofing projects, and a new scoreboard system and upgraded lighting to Stambaugh Stadium.

Major capital activity during fiscal year 2014 included the completion of an outdoor athletic facility and interior renovations in Cushwa and DeBartolo Halls. The second phase of improvements in DeBartolo Hall started during Spring semester and work continued on campus-wide elevator upgrades and concrete replacement. The Veteran's Resource Center was scheduled to be completed during the Fall semester. These projects are included in construction in progress at June 30, 2014.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Other assets decreased \$1.4 million largely due to a \$0.7 million decrease in inventories. In June 2016, the University contracted with a private vendor to operate the bookstore previously operated by the University. The University had no bookstore inventory at June 30, 2016.

See Note 7 for additional information on capital assets.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services; whereas deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. The following table summarizes balances at:

Deferred Outflows of Resources	June 30, 2016	June 30, 2015	June 30, 2014
Pension OPERS	\$ 16,422,322	\$ 4,448,632	\$ -
Pension STRS	9,704,367	6,162,539	-
Total Deferred Outflows of Resources	<u>\$ 26,126,689</u>	<u>\$ 10,611,171</u>	<u>\$ -</u>

Deferred Inflows of Resources	June 30, 2016	June 30, 2015	June 30, 2014
Service concession agreements	\$ 657,500	\$ 745,000	\$ 382,500
Pension OPERS	2,214,446	635,671	-
Pension STRS	12,494,441	17,300,086	-
Total Deferred Inflows of Resources	<u>\$ 15,366,387</u>	<u>\$ 18,680,757</u>	<u>\$ 382,500</u>

Included in deferred outflows of resources and deferred inflows of resources are items relating to pensions and service concession agreements. Certain elements impacting the change in the net pension liability have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, net differences between projected and actual earnings of pension plan investments, and changes in the proportionate share of contributions. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources.

Deferred outflows of resources increased \$15.5 million or 146.2% from fiscal year 2015 to fiscal year 2016. The increase was largely due to a \$12 million increase in the amount attributed to the net difference between projected and actual earnings on OPERS pension plan investments and a \$3.6 million increase in the amount attributed to the differences between expected and actual experience for the STRS Ohio pension plan. Deferred inflows of resources decreased \$3.3 million or 17.7% from fiscal year 2015 to fiscal year 2016. The net decrease was primarily due to a combination of a \$10.1 million decrease in the net difference between projected and actual earnings on STRS Ohio pension plan investments and a \$5.3 million increase due to a change in the STRS Ohio proportionate share of contributions and.

Included in deferred inflows at June 30, 2015 is \$17.3 million for the net difference between projected and actual earnings of pension plan investments for STRS Ohio. In addition, \$7.9 million of University contributions to the pension plans subsequent to the measurement date of the pension

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

plans were also reflected as deferred outflows of resources. The University adopted GASBs 68 and 71 in fiscal year 2015. The University made no restatement for deferred outflows of resources and deferred inflows of resources for fiscal year 2014 as the information needed to generate these restatements was not available.

See Note 13 for additional information on Defined Benefit Pension Plans.

During fiscal year 2015, the University entered into a ten year agreement with Pepsi-Cola for exclusive pouring rights and sponsorship program. The University received initial support funds in the amount of \$450,000 which are contingent upon the University utilizing the services of the beverage company over a ten year period. During fiscal year 2014, the University received \$425,000 from Chartwells toward dining hall renovations that are contingent upon the University utilizing the services of the food service provider over a ten year period. The unamortized amounts are reflected as Deferred Inflows of Resources in the Statement of Net Position.

Liabilities

Liabilities largely consist of accrued payroll and payroll withholdings, debt, unearned revenue, compensated absences, and net pension liability. The following table summarizes balances at:

	June 30, 2016	June 30, 2015	June 30, 2014
Accounts and construction payable	\$ 6,695,529	\$ 4,895,024	\$ 5,056,206
Payroll liabilities	7,041,919	7,543,616	7,573,736
Notes payable	16,000,000	1,139,444	2,240,037
Bonds payable, net	64,756,416	66,658,996	68,498,512
Unearned revenue	5,824,756	5,294,416	5,418,952
Compensated absences	9,016,430	9,843,762	9,896,456
Refundable advance	2,527,796	2,581,299	2,628,561
Other	1,421,973	810,173	1,447,121
Net pension liability	146,345,693	127,685,143	-
Total Liabilities	<u>\$ 259,630,512</u>	<u>\$ 226,451,873</u>	<u>\$ 102,759,581</u>

Total liabilities increased \$33.2 million or 14.7% from fiscal year 2015 to fiscal year 2016. Accounts and construction payables increased largely due to increased year end activity on construction projects. Notes payable increased \$14.9 million primarily due to the financing of a \$16 million energy conservation project during fiscal year 2016. Bonds payable decreased \$1.9 million due to scheduled debt service payments. The net pension liability increased \$18.6 million or 14.6 % from fiscal year 2015 to fiscal year 2016. The OPERS pension liability increased \$12.3 million or 36%; whereas the STRS Ohio liability increased \$6.3 million or 6.8%. The OPERS and STRS Ohio net pension liability balances were \$46.5 million and \$99.8 million at June 30, 2016 compared to \$34.2 million and \$93.5 million at June 30, 2015, respectively.

Total liabilities increased \$123.7 million or 120.4% from fiscal year 2014 to fiscal year 2015. Notes and bonds payable decreased \$2.9 million due to scheduled debt service payments. Other liabilities decreased \$600,000 or 44% primarily due to payment of previously accrued legal liabilities. Due to the adoption of GASBs 68 and 71, the University recorded a net pension liability

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

of \$136.7 million at July 1, 2014. The net pension liability totaled \$127.7 million at June 30, 2015. Of this amount, \$93.5 million was attributed to the STRS pension plan and \$34.2 million to the OPERS pension plan.

See Note 8 for a further breakout of payroll and other liabilities, Notes 9 and 10 for detailed information about the University's debt, and Note 12 for information on long-term liabilities.

Net Position

Net position represents the residual interest in the University's assets after deferred outflows of resources are added, and liabilities and deferred inflows of resources are deducted. The following table summarizes the categories of net position at:

	June 30, 2016	June 30, 2015	June 30, 2014
Net investment in capital assets	\$ 134,289,273	\$ 132,793,340	\$ 133,638,628
Restricted-nonexpendable	5,178,994	5,062,070	4,978,349
Restricted-expendable	24,604,440	24,983,739	24,399,302
Unrestricted	(100,901,806)	(105,332,468)	31,620,890
Total Net Position	<u>\$ 63,170,901</u>	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>

Overall, the University's total net position increased \$5.7 million or 9.8% from \$57.5 million at June 30, 2015 to \$63.2 million at June 30, 2016. This resulted from excess revenue over expenses and includes a \$1.5 million increase in the net amount invested in capital assets, a \$300,000 decrease in restricted net position, and a \$4.4 million increase in unrestricted net position.

The University's total net position decreased \$137.1 million or 70.5% from \$194.6 million at June 30, 2014 to \$57.5 million at June 30, 2015. This resulted from excess expenses over revenues and included a \$900,000 decrease in the net amount invested in capital assets, a \$700,000 increase in restricted net position, and a \$136.9 million decrease in unrestricted net position which included a \$135 million decrease due to the adoption of GASBs 68 and 71, and a \$1.9 million decrease in other unrestricted funds.

For comparison purposes, the reconciliation below presents the University's net position removing the impact GASBs 68 and 71.

	June 30, 2016	June 30, 2015	June 30, 2014
Total Net Position	\$ 63,170,901	\$ 57,506,681	\$ 194,637,169
Add			
Deferred inflows of resources related to pension	14,708,887	17,935,757	-
Net pension liability	146,345,693	127,685,143	-
Subtract			
Deferred outflows of resources related to pension	(26,126,689)	(10,611,171)	-
Total Net Position without GASBs 68 and 71	<u>\$ 198,098,792</u>	<u>\$ 192,516,410</u>	<u>\$ 194,637,169</u>

The net investment in capital assets consists of capital assets net of accumulated depreciation reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

acquisition, construction, or improvement of those assets. The increase of 1.5 million from fiscal year 2015 to fiscal year 2016 was due to spending \$1.2 million for capital projects financed with bond proceeds, \$13 million addition in outstanding debt, net capital additions of \$26.8 million and current year depreciation of \$11.1 million. Outstanding debt was \$80,756,416 at June 30, 2016 compared to \$67,798,440 at June 30, 2015.

The overall decrease of \$900,000 in investment in capital assets from fiscal year 2014 to fiscal year 2015 was due to spending \$1.4 million for capital projects financed with bond proceeds, \$2.9 million reduction in outstanding debt, net capital additions of \$9 million and depreciation of \$11.4 million. Outstanding debt was \$67,798,440 at June 30, 2015 compared to \$70,738,549 at June 30, 2014.

Restricted non-expendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in both fiscal years 2016 and 2015.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenues and expenses in funds provided by donors and grantors. The following table summarizes restricted expendable net position at:

	June 30, 2016	June 30, 2015	June 30, 2014
Current funds	\$ 13,942,390	\$ 13,139,967	\$ 12,802,902
Plant funds	10,442,672	11,636,581	11,390,029
Quasi-Endowments	159,886	148,201	147,644
Loan funds	59,492	58,990	58,727
Total Restricted Expendable Net Position	<u>\$ 24,604,440</u>	<u>\$ 24,983,739</u>	<u>\$ 24,399,302</u>

Total restricted expendable net position was \$24.6 million at June 30, 2016 compared to \$25 million at June 30, 2015. Current restricted funds include grants and sponsored programs and gifts which includes scholarship donations and program support. These funds increased \$0.8 million from \$13.1 million at June 30, 2015 to \$13.9 million at June 30, 2016. Plant funds primarily include donations for construction or renovation approximately \$7.6 of the \$10.4 million balance at June 30, 2016 related to gifts which have been internally designated for future debt service attributed to those projects.

Total restricted expendable net position was \$25 million at June 30, 2015 compared to \$24.4 million at June 30, 2014. Current restricted funds include grants and sponsored programs, and gifts which include scholarship donations and program support. These funds increased \$300,000 from \$12.8 million at June 30, 2014 to \$13.1 million at June 30, 2015. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$8.7 of the \$11.6 million balance at June 30, 2015 related to gifts, which have been internally designated for future debt service attributed to those projects.

Unrestricted net position is not subject to externally imposed restrictions and is designated for future operations, plant construction and maintenance, and debt service. The following table summarizes unrestricted net position at:

YOUNGSTOWN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

	June 30, 2016	June 30, 2015	June 30, 2014
Current funds	\$ 10,966,922	\$ 7,817,248	\$ 8,780,693
Operating reserves	7,714,609	7,714,609	8,692,753
Plant funds	15,322,658	14,124,645	14,126,396
Loan funds	21,896	20,759	21,048
Total without GASBs 68 and 71	<u>34,026,085</u>	<u>29,677,261</u>	<u>31,620,890</u>
GASBs 68 and 71	(134,927,891)	(135,009,729)	-
Total Unrestricted Net Position	<u>\$ (100,901,806)</u>	<u>\$ (105,332,468)</u>	<u>\$ 31,620,890</u>

Total unrestricted net position was (\$100.9) million at June 30, 2016 compared to (\$105.3) million at June 30, 2015. The increase of \$4.4 million from fiscal year 2015 to fiscal year 2016 reflects an excess of revenues over expenses during fiscal year 2016 from noncapital activity.

Total unrestricted net position was (\$105.3) million at June 30, 2015 compared to \$31.6 million at June 30, 2014. The decrease of \$136.9 million from fiscal year 2014 to fiscal year 2015 reflects a combination of a \$1.9 million excess of expenses over revenues during fiscal year 2015 from non-capital activity and a reduction in net position of (\$135.0) million due to the impact of the adoption of GASBs 68 and 71.

The Statements of Revenues, Expenses, and Changes in Net Position

These statements present the operating results and the nonoperating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

YOUNGSTOWN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summary of revenues, expenses and changes in net position follows:

	June 30, 2016	June 30, 2015	June 30, 2014
Operating Revenues			
Net tuition, fees and other student charges	\$ 83,532,926	\$ 84,357,825	\$ 87,064,562
Auxiliary enterprises	23,930,810	22,098,719	22,804,151
Grants and contracts	9,543,964	9,340,832	8,466,912
Other	2,381,917	2,469,689	2,300,536
Total Operating Revenues	<u>119,389,617</u>	<u>118,267,065</u>	<u>120,636,161</u>
Operating Expenses	<u>192,579,044</u>	<u>194,842,580</u>	<u>198,300,930</u>
Operating Loss	(73,189,427)	(76,575,515)	(77,664,769)
Nonoperating Revenues (Expenses)			
State appropriations	41,813,887	38,930,258	37,712,282
Gifts, grants, and contracts	30,771,333	33,714,863	34,368,531
Investment income	793,961	1,566,035	5,481,254
Other	(5,231,948)	(5,333,131)	(4,422,670)
Net Nonoperating Revenues	<u>68,147,233</u>	<u>68,878,025</u>	<u>73,139,397</u>
Loss Before Other Revenues, Expenses, and Changes	(5,042,194)	(7,697,490)	(4,525,372)
Other Revenues, Expenses, and Changes			
State capital appropriations	8,539,064	6,174,875	4,195,720
Capital grants and gifts	2,081,270	1,069,282	2,482,221
Other	86,080	65,572	448,643
Total Other Revenues, Expenses, and Changes	<u>10,706,414</u>	<u>7,309,729</u>	<u>7,126,584</u>
Change in Net Position	5,664,220	(387,761)	2,601,212
Net Position at Beginning of the Year, restated	<u>57,506,681</u>	<u>57,894,442</u>	<u>192,035,957</u>
Net Position at End of the Year	<u>\$ 63,170,901</u>	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>

Revenues

Following is a recap of revenues by source (operating, nonoperating, and other sources), which were used to fund the University's activities for the years ended:

	June 30, 2016	June 30, 2015	June 30, 2014
Net tuition, fees, and other student charges	\$ 83,532,926	\$ 84,357,825	\$ 87,064,562
Gifts, grants and contracts	42,396,567	44,124,977	45,317,664
State appropriations	41,813,887	38,930,258	37,712,282
Auxiliary enterprises	23,930,810	22,098,719	22,804,151
Investment income	793,961	1,566,035	5,481,254
State capital appropriations	8,539,064	6,174,875	4,195,720
Other revenue	3,265,243	2,942,894	3,146,602
Total Revenues	<u>\$ 204,272,458</u>	<u>\$ 200,195,583</u>	<u>\$ 205,722,235</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, the University's total revenues increased \$4.1 million or 2.0% between fiscal year 2016 and fiscal year 2015. The majority of the University's revenue, 61% in fiscal year 2016 and 62% in fiscal year 2015, is attributed to State Appropriations and net of tuition and fees. Combined, these two revenue streams increased \$2.1 million from fiscal year 2015 to fiscal year 2016.

Net tuition, fees and other student charges decreased slightly over the prior year primarily due to a minor decrease in enrollment. Gifts grants and contracts decreased \$1.7 million or 4% due to combination of a \$2.1 million decrease in Pell grants due to decreased enrollment and an increase of \$1 million in capital grants and gifts, including increased activity on state funded projects for additive manufacturing grants and gifts for future capital projects including a manufacturing innovation & commercialization center, a student success center and a multimedia center. State appropriations increased \$2.9 million or 7.4% from \$38.9 million in fiscal year 2015 to \$41.8 million in fiscal year 2016. This increase was largely due to the State Legislature increasing operating appropriations for higher education in exchange for prohibiting universities from raising undergraduate tuition. Auxiliary enterprises revenue increased \$1.8 million or 8%, primarily due to a \$1.3 million increase in housing revenue, resulting from increased room and board fees and an increase in the number of students residing on campus. Investment income decreased approximately \$700,000 or 49%. This was due to net unrealized losses in non-endowed investments resulting from a less favorable market environment during fiscal year 2016. State capital appropriations increased \$2.4 million or 38% due to continued efforts on the part of management to more aggressively use state capital dollars to address deferred maintenance needs.

Overall, the University's total revenues decreased \$5.5 million or 3% between fiscal year 2015 and fiscal year 2014. The majority of the University's revenue, 62% in fiscal year 2015 and 61% in fiscal year 2014 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$1.5 million from fiscal year 2014 to fiscal year 2015.

Despite increases in tuition and fee rates in fiscal year 2015, income from net tuition, fees and other student charges decreased a net \$2.7 million or 3% from fiscal year 2014 to fiscal year 2015 due to decreased enrollment. Gifts, grants and contracts decreased \$1.2 million or 3% over the prior year due to a combination of increased federal grant and gift activity and decreased Pell grant and capital grant activity. Federal grant activity relating to the TechBelt Energy Innovation Center increased \$1.2 million and the University received a \$1 million gift, the majority of which was dedicated for improvements to Wick Avenue. Pell grants decreased \$2.1 million resulting from decreased enrollment and capital grants decreased \$1.2 million due to the prior year including grant funding for new equipment in the STEM College. State Appropriations increased \$1.2 million or 3% from \$37.7 million in fiscal year 2014 to \$38.9 million in fiscal year 2015. The increase was attributable to an increase in the statewide appropriation for higher education operating support; and the University's institutional allocation of these funds, which is distributed through a performance-based funding formula administered by the Ohio Department of Higher Education. Investment income decreased \$3.9 million or 71%. Fiscal year 2014 had net unrealized gains due to a favorable market environment; whereas fiscal year 2015 had net unrealized losses due to a less favorable market environment. State capital appropriations increased \$2 million or 47% from fiscal year 2014 to fiscal year 2015 as more projects were being financed with capital funds rather than bond proceeds and gifts as in the prior years. Bond proceeds of \$1.7 million and

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

\$3.7 million were utilized for capital additions in fiscal year 2015 and fiscal year 2014, respectively.

Expenses

Operating expenses can be displayed in two formats: functional classification and natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Position. Following is a recap of total operating expenses by natural classification, with the impact of the GASBs 68 and 71 pension expense accruals segregated. Due to the unavailability of information, fiscal year 2014 operating expenses were not restated for the adoption of GASBs 68 and 71.

	June 30, 2016	June 30, 2015	June 30, 2014
Compensation	\$ 116,932,285	\$ 120,755,194	\$ 122,144,817
Operations	45,128,168	43,982,094	43,490,982
Scholarships	19,524,818	20,365,896	21,403,818
Depreciation and Amortization	11,075,611	11,472,394	11,261,313
Operating Expenses without GASBs 68 and 71 accruals)	<u>192,660,882</u>	<u>196,575,578</u>	<u>198,300,930</u>
GASBs 68 and 71 pension expense accruals	(81,838)	(1,732,998)	-
Total Operating Expenses	<u>\$ 192,579,044</u>	<u>\$ 194,842,580</u>	<u>\$ 198,300,930</u>

Excluding the impact of GASBs 68 and 71, total operating expenses decreased \$3.9 million or 2% from fiscal year 2015 to fiscal year 2016, largely due to a \$3.8 million decrease in compensation and a \$1.1 million increase in operations.

Salary and wages decreased \$1.8 million or 2% from \$90.3 million in fiscal year 2015 to \$88.5 million in fiscal year 2016; whereas fringe benefits decreased \$2 million or 6.6% from \$30.4 million to \$28.4 million, respectively. Strategic efforts to control personnel costs continued through the elimination of position vacancies and the implementation of the new OEA faculty agreement, which included a 1% base salary adjustment, rank based bonus payments, retirement incentive payments, and reduced cost for summer and extended teaching service. The \$2 million decrease in fringe benefits was primarily due to \$1.1 million decrease in health care expense primarily due to a decrease in health care claims.

Operations increased \$1.1 million or 2.6% from \$43.9 million in fiscal year 2015 to \$45.1 million in fiscal year 2016. The net increase resulted from various factors including a combination of investment in new software for graduate school recruiting and upgrades to existing software, an increase in cost of goods sold for the bookstore operations due to the elimination of inventory in preparation of a private vendor taking over the operations in June 2016, combined with decreases in utility usage and a continued decrease in bad debt expense resulting from the impact of higher admission standards and continued emphasis on financial literacy counseling to students.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$800,000 decrease in scholarship expense is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$900,000 increase in external support. Overall, the University disbursed \$41.7 million to

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

students in fiscal year 2016 compared to \$42.4 million in fiscal year 2015, including \$20.1 million and \$22.2 million in federal Pell grants, respectively.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$800,000 decrease in scholarship expense is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$900,000 increase in external support. Overall, the University disbursed \$41.7 million to students in fiscal year 2016 compared to \$42.4 million in fiscal year 2015, including \$20.1 million and \$22.2 million in federal Pell grants, respectively.

Pension expense attributed to GASB 68 and 71 is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position and increased \$13.1 million from fiscal year 2015 to fiscal year 2016. The increase was primarily due to differences between projected and actual pension plan investment earnings and the University's proportionate share of contributions. The University has no control over these accruals.

Excluding the impact of GASBs 68 and 71, total operating expenses decreased \$1.7 million or 0.9% from fiscal year 2014 to fiscal year 2015, a combination of a \$1.4 million decrease in compensation, a \$500,000 increase in operations and a \$1 million decrease in scholarships. Salary and wages decreased \$2.2 million or 2.4% from \$95.5 million in fiscal year 2014 to \$90.3 million in fiscal year 2015, reflective of continued strategic elimination of staff vacancies and efforts to control and reduce personnel costs. Fringe benefits increased \$800,000 or 2.8% from \$29.6 million to \$30.4 million due to increased health care claims. Operations increased \$500,000 due to a combination of a \$1.3 million increase in funds distributed under a subcontract to the TechBelt Energy Innovation Center and a \$900,000 decrease in bad debt resulting from stricter admission standards, a focus on internal collection efforts, and more financial literacy counseling to students.

The \$1 million decrease in scholarship expense from fiscal year 2014 to fiscal year 2015 is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$600,000 increase in external support. Overall, the University disbursed \$42.4 million to students in fiscal year 2015 compared to \$43.8 million in fiscal year 2014, including \$22.2 million and \$24.3 million in Federal Pell grants, respectively.

Total operating and non operating expenses for the University were \$198,608,238, \$200,583,344, and \$203,121,023 in fiscal years 2016, 2015 and 2014, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

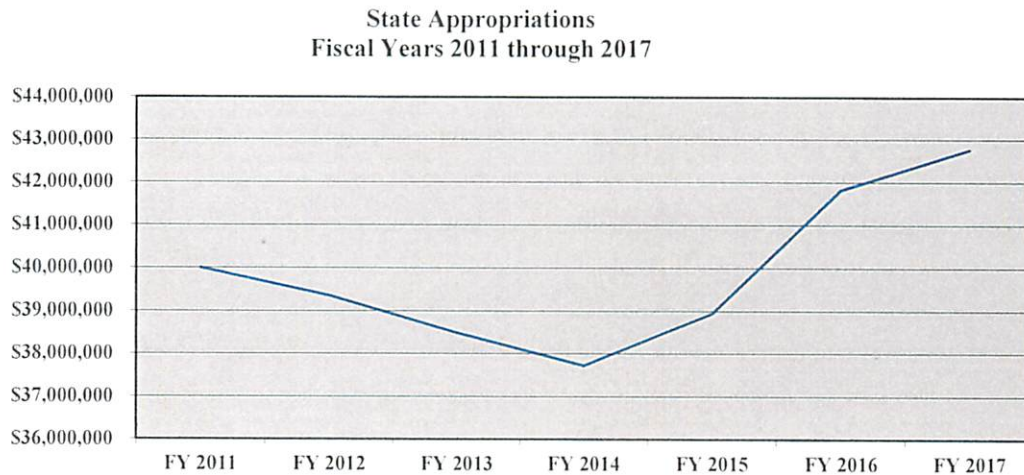
Economic Factors for the Future

Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students.

Based on the most recent estimate provided by the Ohio Department of Higher Education, State Share of Instruction (SSI) funding for the University is expected to rise by \$900,000 or 2.2%. This increase is partially attributable to an increase in the statewide SSI appropriation. The increase is also attributable to the results of strategic decisions YSU has made to better position itself in the performance based SSI formula.

The increase in statewide higher education funding notwithstanding, degrees awarded and course completions will continue to be primary drivers of SSI funding. Datasets used in the formula are based on a three-year rolling average, and are weighted to take into account various at-risk student characteristics. The SSI formula continues to factor in discipline costs and enrollment levels.

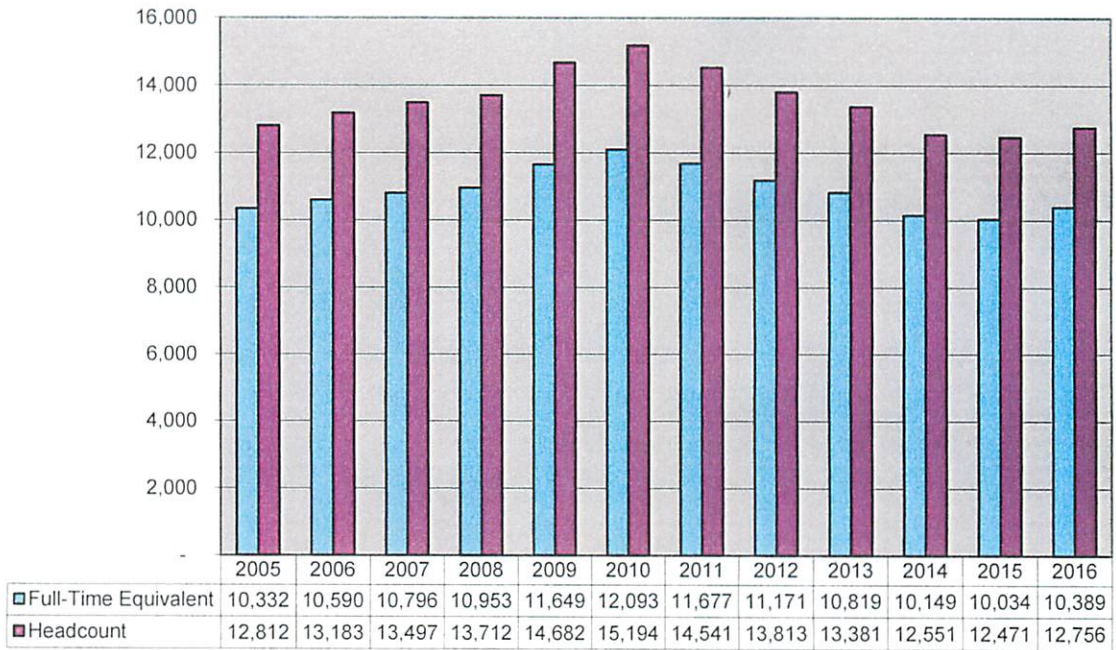
The following graph reflects six years actual data for State Appropriations plus the budgeted amount for fiscal year 2017.



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

**Fall Semester Enrollment Trends
2005 through 2016**



As expected, Fall 2016 enrollments are 3.5% higher than the prior Fall semester. This represents a sharp turnaround in the University's enrollment trend, following a four-year decline. The results of the University's new incoming student enrollments, coupled with the academic quality of those students, provide significant cause for continued optimism for Spring 2017 and beyond.

For Fall 2016, the University experienced increases in high school students enrolled in the College Credit Plus program; new freshman, graduate, international and transfer students; and new students enrolled in the Honors College.

Freshman GPA and ACT averages were both the highest in University history. Efforts to widen the University's appeal beyond its traditional footprint also appear to be showing some early signs of success. Enrollment increases were noted for out of state freshman as well as the contiguous Ohio counties and number of high schools represented in the freshman class.

The University's freshman to sophomore retention rate remained steady from Fall 2015 to Fall 2016 after a 6% increase last year, representing further evidence that the University has stabilized and reversed its enrollment trend. Finally, early results for Fall 2017 are even more positive than expected, running far ahead of Fall 2016 at this same time.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET POSITION AT JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,893,972	\$ 11,472,553
Investments	36,906,441	39,133,843
Restricted investments	638,165	866,522
Interest receivable	98,121	94,242
Accounts receivable, net	13,033,177	10,735,452
Pledges receivable, net	893,284	1,140,910
Loans receivable, net	422,496	404,434
Inventories	84,831	1,186,416
Prepaid expenses and unearned charges	1,050,643	1,385,085
Total Current Assets	69,021,130	66,419,457
Noncurrent Assets		
Investments	17,198,170	14,723,869
Endowments and other restricted investments	8,579,269	8,333,945
Pledges receivable, net	827,958	1,526,422
Loans receivable, net	1,455,935	1,771,897
Other noncurrent assets	171,180	187,782
Cash surrender value of life insurance	321,224	311,993
Nondepreciable capital assets	35,608,290	22,858,918
Depreciable capital assets, net	178,857,955	175,893,857
Total Noncurrent Assets	243,019,981	225,608,683
Total Assets	312,041,111	292,028,140
DEFERRED OUTFLOWS OF RESOURCES		
Pension OPERS	16,422,322	4,448,632
Pension STRS	9,704,367	6,162,539
Total Deferred Outflows of Resources	26,126,689	10,611,171
LIABILITIES		
Current Liabilities		
Accounts payable	3,653,797	2,963,665
Construction payable	3,041,732	1,931,359
Payroll liabilities	7,041,919	7,543,616
Bonds payable	2,455,000	1,865,000
Notes payable	-	1,139,444
Compensated absences	604,117	736,034
Unearned revenue	5,824,756	5,294,416
Other liabilities	1,421,973	810,173
Total Current Liabilities	24,043,294	22,283,707
Noncurrent Liabilities		
Bonds payable, net	62,301,416	64,793,996
Notes payable	16,000,000	-
Compensated absences	8,412,313	9,107,728
Refundable advance	2,527,796	2,581,299
Net pension liability	146,345,693	127,685,143
Total Noncurrent Liabilities	235,587,218	204,168,166
Total Liabilities	259,630,512	226,451,873
DEFERRED INFLOWS OF RESOURCES		
Service concession agreements	657,500	745,000
Pension OPERS	2,214,446	635,671
Pension STRS	12,494,441	17,300,086
Total Deferred Resources of Inflows	15,366,387	18,680,757
NET POSITION		
Net investment in capital assets	134,289,273	132,793,340
Restricted - Nonexpendable	5,178,994	5,062,070
Restricted - Expendable	24,604,440	24,983,739
Unrestricted	(100,901,806)	(105,332,468)
Total Net Position	\$ 63,170,901	\$ 57,506,681

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
ASSETS		
Cash and cash equivalents	\$ 4,739,753	\$ 4,341,923
Investments	206,643,636	218,740,363
Accounts receivable	9,295	-
Property acquired for resale to Youngstown State University	109,520	-
Investments held for others	-	3,474,650
Pledges receivable, net	2,057,504	731,033
Pledges receivable for Youngstown State University, net	3,182,716	1,346,918
Prepaid expenses and other assets	1,031,078	20,098
Property and equipment, net	59,229	22,344
Beneficial interest in remainder trusts	399,582	441,661
TOTAL ASSETS	<u>\$ 218,232,313</u>	<u>\$ 229,118,990</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 860,489	\$ 522,776
Grant commitments to Youngstown State University for scholarship awards	8,067,599	7,722,375
Funds held for others	-	3,474,650
Accrued liabilities and other	55,063	-
TOTAL LIABILITIES	<u>8,983,151</u>	<u>11,719,801</u>
 NET ASSETS		
Unrestricted	136,086,960	152,937,194
Temporarily restricted	8,068,816	6,799,238
Permanently restricted	65,093,386	57,662,757
TOTAL NET ASSETS	<u>209,249,162</u>	<u>217,399,189</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 218,232,313</u>	 <u>\$ 229,118,990</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,136,886 in 2016 and 22,051,829 in 2015)	\$ 83,532,926	\$ 84,357,825
Federal grants and contracts	3,848,977	4,113,501
State grants and contracts	5,123,960	4,675,489
Local grants and contracts	169,703	153,686
Private grants and contracts	401,324	398,156
Sales and services	431,584	508,200
Auxiliary enterprises	23,930,810	22,098,719
Other operating revenues	1,950,333	1,961,489
Total Operating Revenues	119,389,617	118,267,065
OPERATING EXPENSES		
Instruction	64,295,468	66,393,543
Research	1,859,303	2,721,990
Public service	5,497,073	4,768,094
Academic support	14,270,655	14,053,028
Student services	10,300,999	9,625,128
Institutional support	22,745,633	22,612,180
Operation and maintenance of plant	16,511,923	16,526,726
Scholarships	15,218,376	16,358,672
Auxiliary enterprises	30,804,003	30,310,825
Depreciation and amortization	11,075,611	11,472,394
Total Operating Expenses	192,579,044	194,842,580
Operating Loss	(73,189,427)	(76,575,515)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	41,813,887	38,930,258
Federal grants	20,658,870	22,747,643
Private gifts	10,112,463	10,967,220
Unrestricted investment income, net of investment expense	289,877	1,288,186
Restricted investment income, net of investment expense	504,084	277,849
Interest on capital asset-related debt	(3,939,548)	(3,454,055)
Other nonoperating expenses, net	(1,292,400)	(1,879,076)
Net Nonoperating Revenues	68,147,233	68,878,025
Loss Before Other Revenues, Expenses, and Changes	(5,042,194)	(7,697,490)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	8,539,064	6,174,875
Capital grants and gifts	2,081,270	1,069,282
Other	86,080	65,572
Total Other Revenues, Expenses, and Changes	10,706,414	7,309,729
Change In Net Position	5,664,220	(387,761)
NET POSITION		
Net Position at Beginning of the Year	57,506,681	57,894,442
Net Position at End of the Year	\$ 63,170,901	\$ 57,506,681

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 4,562,193	\$ 2,360,160	\$ 7,472,708	\$ 14,395,061
In-kind donations	-	-	-	-
Investment earnings	1,813,472	765,181	-	2,578,653
Net realized gain on sale of investments	2,002,727	827,742	-	2,830,469
Net unrealized change in long-term investments	(13,579,678)	1,224,733	-	(12,354,945)
Change in beneficial interest in remainder trusts	-	-	(42,079)	(42,079)
Net assets released from restrictions	3,908,238	(3,908,238)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	(1,293,048)	1,269,578	7,430,629	7,407,159
EXPENSES				
Distribution to Youngstown State University for scholarships and other programs	-	-	-	-
Administrative expenditures	12,982,554	-	-	12,982,554
Benefits for retired Youngstown University faculty	2,573,532	-	-	2,573,532
TOTAL EXPENSES	1,100	-	-	1,100
	15,557,186	-	-	15,557,186
DONOR RECLASSIFICATIONS	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(16,850,234)	1,269,578	7,430,629	(8,150,027)
Net Assets - Beginning of Year	152,937,194	6,799,238	57,662,757	217,399,189
Net Assets - End of Year	<u>\$ 136,086,960</u>	<u>\$ 8,068,816</u>	<u>\$ 65,093,386</u>	<u>\$ 209,249,162</u>

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 842,868	\$ 2,457,583	\$ 4,781,920	\$ 8,082,371
In-kind donations	2,168	-	-	2,168
Investment earnings	2,203,829	688,250	-	2,892,079
Net realized gain on sale of investments	2,094,161	784,244	-	2,878,405
Net unrealized (loss) gain on long-term investments	(6,494,585)	(1,295,899)	-	(7,790,484)
Change in beneficial interest in remainder trusts	-	-	(227,825)	(227,825)
Net assets released from restrictions	4,926,640	(4,926,640)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,575,081	(2,292,462)	4,554,095	5,836,714
EXPENSES				
Distribution to Youngstown State University for scholarships and other programs	-	-	-	-
Administrative expenditures	10,324,044	-	-	10,324,044
Benefits for retired Youngstown University faculty	2,236,949	-	-	2,236,949
TOTAL EXPENSES	2,000	-	-	2,000
	12,562,993	-	-	12,562,993
DONOR RECLASSIFICATIONS	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(8,987,912)	(2,292,462)	4,554,095	(6,726,279)
Net Assets - Beginning of Year	161,925,106	9,091,700	53,108,662	224,125,468
Net Assets - End of Year	<u>\$ 152,937,194</u>	<u>\$ 6,799,238</u>	<u>\$ 57,662,757</u>	<u>\$ 217,399,189</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Cash Flows from Operating Activities		
Student tuition and fees	\$ 82,559,873	\$ 83,469,446
Federal, state, and local grants and contracts	7,794,915	9,252,531
Private grants and contracts	424,144	446,764
Sales and services of educational and other departmental activities	23,356,831	21,849,847
Payments to suppliers	(46,161,692)	(47,075,352)
Payments to employees	(89,007,809)	(90,341,601)
Payments for benefits	(29,236,967)	(30,522,935)
Payments for scholarships	(15,270,134)	(16,316,513)
Student loans issued	(130,430)	(146,195)
Student loans collected	453,813	477,591
Student loan interest and fees collected	98,538	159,717
Other receipts, net	2,913,327	1,816,723
Total Cash Flows Used In Operating Activities	(62,205,591)	(66,929,977)
Cash Flows from Noncapital Financing Activities		
Federal grants	20,619,477	22,723,447
State educational appropriations	41,813,887	38,930,258
Direct lending receipts	63,121,701	67,086,876
Direct lending disbursements	(63,047,691)	(68,491,854)
Private gifts	10,059,584	10,861,294
Other	86,080	65,572
Other nonoperating expenses	(1,376,750)	(1,489,452)
Total Cash Flows Provided by Noncapital Financing Activities	71,276,288	69,686,141
Cash Flows from Investing Activities		
Proceeds from sale of investments	21,538,965	23,051,150
Purchase of investments	(21,802,831)	(25,383,740)
Interest on investments	790,082	1,573,877
Total Cash Flows Used In Investing Activities	526,216	(758,713)
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	8,087,946	5,811,369
Private capital gifts and grants	2,694,968	2,221,092
Purchase of capital assets	(25,450,146)	(8,902,727)
Principal payments on capital debt	(3,004,444)	(2,890,593)
Notes payable proceeds	16,000,000	-
Interest payments on capital debt	(3,503,818)	(3,526,312)
Total Cash Flows Used In Capital and Related Financing Activities	(5,175,494)	(7,287,171)
Change in Cash and Cash Equivalents	4,421,419	(5,289,720)
Cash and Cash Equivalents, Beginning of Year	11,472,553	16,762,273
Cash and Cash Equivalents, End of Year	\$ 15,893,972	\$ 11,472,553

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating loss	\$ (73,189,427)	\$ (76,575,515)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,075,611	11,472,394
Provision for bad debts	854,147	1,097,692
Gifts in kind	113,113	30,978
Changes in assets and liabilities:		
Accounts receivable, net	(2,612,917)	(1,085,805)
Loans receivable, net	307,328	316,347
Inventories	1,101,585	471,213
Prepaid expenses and unearned charges	334,442	241,915
Accounts payable	690,132	(305,519)
Accrued and other liabilities	(357,418)	(637,391)
Unearned revenue	386,983	(170,594)
Compensated absences	(827,332)	(52,694)
Net pension liability	18,660,550	(9,057,584)
Deferred outflows of resources	(15,515,518)	(10,611,171)
Deferred inflow of resources	(3,226,870)	17,935,757
Net Cash Flows Used In Operating Activities	<u>\$ (62,205,591)</u>	<u>\$ (66,929,977)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Youngstown State University (the University or YSU) is a coeducational, degree granting state-assisted metropolitan university and was established by the General Assembly of the State of Ohio in 1967. The University is a component unit of the State of Ohio. The University provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, graduate and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) financial statements are included, as a discretely presented component unit, in the University's financial report by presentation of the individual financial statements of the entity immediately following the University's respective GASB financial statements. See Note 16 for additional information regarding the University's component unit.

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Under the provisions of GASB Statement No. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets – Capital assets, net of accumulated depreciation, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Nonexpendable – Resources subject to externally imposed stipulations that they be maintained permanently by the University. Such resources include the University's permanent endowment funds.
- Restricted Expendable – Resources whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- Unrestricted – Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for academic and research programs and initiatives, capital projects, and operating reserves.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

Cash Equivalents – The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Endowment Policy – The University Endowment Fund consists of 99 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Prior to July 2015, the University's policy was to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval. Effective July 2015 a new endowment spending policy was implemented where annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Also included are amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenses under the applicable University grants and contracts. Accounts are recorded net of allowance for uncollectible amounts.

Pledges Receivable – The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a gift representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

recorded net of an allowance for uncollectible amounts and are discounted to net present value. During fiscal year 2015, the University entered into a development services agreement with the Foundation. As part of the agreement, new pledges are recorded by the Foundation and payments on University pledges are collected by the Foundation and remitted to the University on a monthly basis.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method for the Bookstore.

Capital Assets – Capital assets are stated at cost or acquisition value at date of gift. Infrastructure assets are included in the financial statements and are depreciated. The University’s capitalization threshold for equipment, furniture and vehicles is \$5,000; and for buildings, building improvements and improvements other than buildings is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased.

Depreciation (including amortization of capital leased assets) is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and the net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset’s life are expensed when incurred. Estimated lives are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Buildings	50 years
Improvements to buildings	10 to 50 years
Improvements other than buildings	15 years
Moveable equipment, furniture and vehicles	3 to 10 years

Unearned Revenue – Unearned revenue includes tuition and fee revenues billed or received prior to the end of the current fiscal year end, but related to the period after the current fiscal year. Also included are amounts received from grants and contract sponsors that have not yet been earned and other resources received before the eligibility requirements are met.

Compensated Absences – Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The University uses the termination method to accrue sick leave compensated absences on the Statement of Net Position.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements.

Deferred Outflows and Inflows of Resources – Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the University's financial statements consist of differences between projections and actual in the OPERS and STRS Ohio pension plans and contributions subsequent to the measurement dates of the plans. Deferred inflows of resources in the University's financial statements consist of unamortized service concession arrangements and differences between projections and the actual in the OPERS and STRS Ohio pension plans.

Service Concession Arrangements – Service concession arrangements consist of an agreement with a food service provider and an agreement with a beverage company for exclusive pouring rights. Funds received are contingent upon utilization of services over a specified time period and are amortized over the term of the contract arrangement. Unamortized amounts are reflected as deferred inflows of resources on the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio) and additions to/deductions from OPERS' and STRS Ohio's fiduciary net positions have been determined on the same basis as they are reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Income Taxes – The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation – Operating revenues and expenses generally result from providing educational and instructional service in connection with the University's principal ongoing operations. The principal operating revenues include student tuition, fees and other student charges. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition including State appropriations are reported as nonoperating revenues and expenses.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Scholarship Allowances and Student Aid – Tuition, fees, and other student charges are reflected net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student’s account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Release of Restricted Funds – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the University’s policy to apply restricted resources first, then unrestricted resources as needed.

Management’s Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2016, the provisions of the following GASB Statements became effective:

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contribution entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement did not have any impact on the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement did not have any impact on the financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement did not have any impact on the financial statements.

Newly Issued Accounting Pronouncements – As of the report date, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December 31, 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. hierarchy of generally accepted accounting principles (GAAP).
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, issued January 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation. These reclassifications had no effect on the total net position or change in net position.

Note 2 – State Support

The University receives support from the State in the form of State appropriations and capital appropriations. As required by GASB Statement No. 35, these are reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

State appropriations totaled \$41,813,887 in fiscal year 2016 compared to \$38,930,258 in fiscal year 2015. The State Share of Instruction (SSI) is determined annually by the Ohio Department of Higher Education.

Capital appropriations from the State totaled \$8,539,064 in fiscal year 2016 compared to \$6,174,875 in fiscal year 2015 and included funding for equipment and the construction/major renovations of plant facilities.

Funding for the construction of major plant facilities on the University campus is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn is used for the construction and subsequent lease of the facilities by the Ohio Department of Higher Education.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State of Ohio. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by OPFC is not included on the University's Statement of Net Position. In addition, the appropriations by the General Assembly to the Ohio Department of Higher Education for payment of debt service are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

Note 3 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements and certificates of deposit.

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$357,738 and \$2,083,878 at June 30, 2016 and 2015, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Cash and Cash Equivalents at June 30, 2016 and June 30, 2015 consist of the following:

	2016	2015
Carrying Amount	<u>\$ 15,893,972</u>	<u>\$ 11,472,553</u>
FDIC Insured	\$ 5,769,116	\$ 5,817,914
Uninsured but collateralized by pools of securities pledged by the depository banks	4,927,221	3,883,274
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	5,882,625	3,274,251
Bank Balance	<u>\$ 16,578,962</u>	<u>\$ 12,975,439</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$3,746,878 at June 30, 2016 and \$1,671,240 at June 30, 2015, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness. The University's Star Ohio Plus account deposits are federally insured and totaled \$5,021,068 at June 30, 2016 and \$5,008,195 at June 30, 2015.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2016 and June 30, 2015, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 4 – Investments

The University's investment policy authorizes the University to invest non-endowed and endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements. The University utilizes an investment advisor and investment manager for non-endowment funds.

The University's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2016, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ 7,557,213	\$ -	\$ -	\$ 7,557,213
Corporate Bonds	9,921,463	-	-	9,921,463
Foreign Bonds	115,597	-	-	115,597
U.S. Government Bonds	1,828,911	-	-	1,828,911
Bond Mutual Funds	9,813,823	-	-	9,813,823
Preferred and Common Stock	6,255,968	-	-	6,255,968
Equity Mutual Funds	27,829,070	-	-	27,829,070
Totals	<u>\$63,322,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,322,045</u>

As of June 30, 2015, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ 7,427,958	\$ -	\$ -	\$ 7,427,958
Corporate Bonds	9,845,758	-	-	9,845,758
Foreign Bonds	100,406	-	-	100,406
U.S. Government Bonds	1,618,225	-	-	1,618,225
Bond Mutual Funds	11,211,109	-	-	11,211,109
Preferred and Common Stock	5,987,195	-	-	5,987,195
Equity Mutual Funds	26,867,528	-	-	26,867,528
Totals	<u>\$63,058,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,058,179</u>

As of June 30, 2016, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,557,213	\$ -	\$ 6,751,994	\$ 805,219	\$ -
Corporate Bonds	9,921,463	623,316	8,065,572	1,222,429	10,146
Foreign Bonds	115,597	100,154	-	15,443	-
U.S. Government Bonds	1,828,911	117	719,061	399,044	710,689
Bond Mutual Funds	9,813,823	9,813,823	-	-	-
Preferred and Common Stock	6,255,968	6,255,968	-	-	-
Equity Mutual Funds	27,829,070	27,829,070	-	-	-
Totals	<u>\$63,322,045</u>	<u>\$44,622,448</u>	<u>\$ 15,536,627</u>	<u>\$ 2,442,135</u>	<u>\$ 720,835</u>

All callable stocks were assumed to mature in less than one year.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2015, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,427,958	\$ 1,531,665	\$ 5,568,903	\$ 323,820	\$ 3,570
Corporate Bonds	9,845,758	1,170,620	6,338,186	2,296,806	40,146
Foreign Bonds	100,406	-	100,406	-	-
U.S. Government Bonds	1,618,225	1,037	436,488	636,761	543,939
Bond Mutual Funds	11,211,109	11,211,109	-	-	-
Preferred and Common Stock	5,987,195	5,987,195	-	-	-
Equity Mutual Funds	26,867,528	26,867,528	-	-	-
Totals	<u>\$63,058,179</u>	<u>\$46,769,154</u>	<u>\$ 12,443,983</u>	<u>\$ 3,257,387</u>	<u>\$ 587,655</u>

All callable stocks were assumed to mature in less than one year.

As of June 30, 2016, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,921,463	\$ 2,376,851	\$ 1,162,736	\$ 2,298,069	\$ 2,842,439	\$ 1,241,368
Foreign Bonds	115,597	-	115,597	-	-	-
U.S. Government Bonds	1,828,911	1,196,000	632,911	-	-	-
Bond Mutual Funds	\$ 9,813,823	6,144,635	1,725,631	753,301	872,147	318,109
Totals	<u>\$21,679,794</u>	<u>\$ 9,717,486</u>	<u>\$3,636,875</u>	<u>\$3,051,370</u>	<u>\$3,714,586</u>	<u>\$1,559,477</u>

As of June 30, 2015, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,845,758	\$ 2,377,138	\$ 1,054,576	\$ 2,600,761	\$ 3,158,288	\$ 654,995
Foreign Bonds	100,406	-	100,406	-	-	-
U.S. Government Bonds	1,618,225	1,093,212	525,013	-	-	-
Bond Mutual Funds	\$ 11,211,109	7,484,001	1,444,326	992,086	960,770	329,926
Totals	<u>\$22,775,498</u>	<u>\$10,954,351</u>	<u>\$3,124,321</u>	<u>\$3,592,847</u>	<u>\$4,119,058</u>	<u>\$984,921</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s investment policy and asset allocation guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016, \$5,444,128 or 9% of the University’s portfolio was held in an intermediate bond fund and \$1,271,495 or 2% was held in a short term bond fund. As of June 30, 2015, \$5,140,428 or 8% of the University’s portfolio was held in an intermediate term bond fund and \$3,214,825 or 5% was held in a short-term bond fund. The University’s investment policy and asset allocation guidelines contain provisions to manage credit risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2016 and 2015, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2016 and June 30, 2015 consist of the following:

	2016	2015
Accounts receivable		
Student accounts	\$ 9,938,609	\$ 10,641,281
Grants and contracts	2,135,367	1,304,892
State appropriations	1,853,200	1,402,082
Other receivables	4,226,260	3,133,608
Total Accounts receivable	18,153,436	16,481,863
Less: Allowance for doubtful accounts	5,120,259	5,746,411
Accounts receivable, net	<u>\$ 13,033,177</u>	<u>\$ 10,735,452</u>
Loans receivable - student notes	\$ 2,520,738	\$ 2,830,696
Less: Allowance for doubtful accounts	642,307	654,365
Loans receivable, net	1,878,431	2,176,331
Less: current portion	422,496	404,434
Loans receivable, noncurrent portion	<u>\$ 1,455,935</u>	<u>\$ 1,771,897</u>

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2016 and June 30, 2015 were as follows:

	2016	2015
Pledges receivable	\$ 1,853,249	\$ 2,903,613
Less: Allowance for doubtful accounts	85,183	127,797
Present value discount	46,824	108,484
Pledges receivable, net	1,721,242	2,667,332
Less: current portion	893,284	1,140,910
Pledges receivable, noncurrent portion	<u>\$ 827,958</u>	<u>\$ 1,526,422</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Pledges have been discounted to net present value using June 30, 2016 and June 30, 2015 U.S. Treasury Note rates of 1.12% (5-year) and 1.379 (7-year) in fiscal year 2016 and 1.62% (5-year) and 2.12% (7-year) in fiscal year 2015.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 16,093,678	\$ 52,659	\$ -	\$ 3,063	\$ 16,149,400
Construction in progress	6,129,774	17,211,492	-	(4,717,842)	18,623,424
Historical treasures	635,466	200,000	-	-	835,466
Depreciable assets:					
Buildings	280,566,952	14,867	577,982	-	280,003,837
Improvements to buildings	50,692,906	5,955,294	67,723	2,993,870	59,574,347
Improvements other than buildings	35,015,971	2,485,094	1,000,000	883,937	37,385,002
Moveable equipment and furniture	33,042,335	925,200	1,130,697	836,972	33,673,810
Vehicles	1,222,268	181,356	66,992	-	1,336,632
Total cost	423,399,350	27,025,962	2,843,394	-	447,581,918
Less accumulated depreciation:					
Buildings	164,316,559	4,937,846	379,631	-	168,874,774
Improvements to buildings	13,383,106	2,048,751	27,617	-	15,404,240
Improvements other than buildings	18,093,828	1,860,955	1,000,000	-	18,954,783
Moveable equipment and furniture	27,830,142	2,125,804	1,115,671	-	28,840,275
Vehicles	1,022,940	85,653	66,992	-	1,041,601
Total accumulated depreciation	224,646,575	11,059,009	2,589,911	-	233,115,673
Capital assets, net	<u>\$ 198,752,775</u>	<u>\$ 15,966,953</u>	<u>\$ 253,483</u>	<u>\$ -</u>	<u>\$ 214,466,245</u>

Projects completed and transferred from construction in progress during fiscal year 2016 included the Melnick Hall renovation, restroom renovations, and roof and elevator renovations to several building across campus.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,692,070	\$ 378,637	\$ -	\$ 22,971	\$ 16,093,678
Construction in progress	6,577,088	4,264,650	256,749	(4,455,215)	6,129,774
Historical treasures	635,466	-	-	-	635,466
Depreciable assets:					
Buildings	280,101,358	228,771	1,218,615	1,455,438	280,566,952
Improvements to buildings	45,718,508	2,983,875	-	1,990,523	50,692,906
Improvements other than buildings	34,559,486	877,367	1,000,000	579,118	35,015,971
Moveable equipment and furniture	32,591,938	825,309	782,077	407,165	33,042,335
Vehicles	1,221,666	56,234	55,632	-	1,222,268
Total cost	417,097,580	9,614,843	3,313,073	-	423,399,350
Less accumulated depreciation:					
Buildings	160,049,260	5,215,513	948,214	-	164,316,559
Improvements to buildings	11,653,078	1,730,028	-	-	13,383,106
Improvements other than buildings	17,289,190	1,804,638	1,000,000	-	18,093,828
Moveable equipment and furniture	25,955,025	2,616,565	741,448	-	27,830,142
Vehicles	990,145	88,427	55,632	-	1,022,940
Total accumulated depreciation	215,936,698	11,455,171	2,745,294	-	224,646,575
Capital assets, net	<u>\$ 201,160,882</u>	<u>\$ (1,840,328)</u>	<u>\$ 567,779</u>	<u>\$ -</u>	<u>\$ 198,752,775</u>

Projects completed and transferred from construction in progress during fiscal year 2015 included the Veterans Resource Center as well as roof and elevator renovations to several buildings across campus.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2016 and 2015 consist of the following:

	2016	2015
Payroll liabilities:		
Accrued compensation	\$ 5,058,132	\$ 5,004,530
Accrued benefits	105,791	166,851
Accrued health care benefits and insurance payable	1,030,270	1,234,509
Retirement system contribution payable	847,726	1,137,726
Totals	<u>\$ 7,041,919</u>	<u>\$ 7,543,616</u>
Other liabilities:		
Deposits held in custody	\$ 476,606	\$ 453,194
Interest payable	642,702	169,392
Other liabilities	302,665	187,587
Totals	<u>\$ 1,421,973</u>	<u>\$ 810,173</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2016 are completed, totaled \$9.2 million compared to \$8 million at June 30, 2015. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

In June 2011, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The \$19,006,093 in bond proceeds were received in July 2011. The Series 2011 Bonds were utilized to pay costs associated with acquiring the University Courtyard Apartments, any necessary related improvements thereto and to pay costs of issuing the Series 2011 Bonds.

Details of the bonds payable for the General Receipts Bonds, Series 2011 as of June 30, 2016 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	4.00%	2.45%	2017	\$ 595,000
Serial Bond	5.00%	2.90%	2018	625,000
Serial Bond	5.00%	3.28%	2019	655,000
Serial Bond	5.00%	3.58%	2020	690,000
Serial Bond	3.50%	3.82%	2021	720,000
Serial Bond	3.75%	3.98%	2022	450,000
Serial Bond	5.00%	3.98%	2022	300,000
Serial Bond	4.00%	4.14%	2023	780,000
Term Bond	5.00%	4.55%	2026	2,570,000
Term Bond	5.00%	5.08%	2034	9,085,000
Total				<u>\$ 16,470,000</u>

As part of the American Recovery and Reinvestment Act of 2009, states and local governments are permitted to issue two types of taxable obligations, referred to as Build America Bonds (BABs). The BABs include federal subsidies to offset a portion of interest costs as an alternative to issuing traditional tax-exempt obligations.

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, construct the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds. In September 2011, approximately \$9.9 million was re-allocated from the Kilcawley Center project to Academic building renovation projects.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The University designated the Series 2010 Bonds both as Build America Bonds and as Qualified Bonds and intends to apply for Credit Payments pursuant only to the extent that the Series 2010 Bonds remain Qualified Bonds, which requires the University to comply with certain covenants and to establish certain facts and expectations with respect to the Series 2010 Bonds, the use and investment of proceeds thereof and the use of property financed thereby.

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30, 2016 follow:

Bond Component	Rate/Yield *	Maturity Through	Original Principal
Serial Bond	4.192%	2017	\$ 525,000
Serial Bond	4.542%	2018	1,065,000
Serial Bond	4.959%	2019	1,110,000
Serial Bond	5.109%	2020	1,145,000
Serial Bond	5.209%	2021	1,185,000
Serial Bond	5.359%	2022	1,225,000
Serial Bond	5.509%	2023	1,265,000
Term Bond	6.109%	2026	4,085,000
Term Bond	6.549%	2031	8,030,000
Term Bond	6.579%	2034	5,700,000
Total			<u>\$ 25,335,000</u>

* Does not reflect impact of federal subsidies

In March 2009, the University issued \$31,255,000 of General Receipts Bonds, Series 2009 to acquire, construct and equip the new Williamson College of Business Administration building, renovate and replace portions of the existing Wick Pollock Inn, refund the remaining General Receipts Bonds, Series 1997 and Series 1998, refund the General Receipts Bond Anticipation Notes, Series 2008 (BAN), and pay a portion of the costs of issuance of the bonds.

Details of the bonds payable for the General Receipts Bonds, Series 2009 as of June 30, 2016 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	4.000%	4.000%	2017	\$ 1,335,000
Serial Bond	4.125%	4.200%	2018	860,000
Serial Bond	4.375%	4.400%	2019	885,000
Serial Bond	4.500%	4.600%	2020	925,000
Serial Bond	4.625%	4.750%	2021	965,000
Serial Bond	4.750%	4.900%	2022	1,010,000
Term Bond	5.000%	5.080%	2024	2,170,000
Serial Bond	5.125%	5.180%	2025	1,170,000
Term Bond	5.250%	5.340%	2030	6,815,000
Term Bond	5.500%	5.540%	2034	6,875,000
Total				<u>\$ 23,010,000</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.)

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The indebtedness created through all issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds and Series 2011 Bonds are also bound by the First Supplemental Trust Indenture dated as of February 2010; and in addition, the Series 2011 Bonds are also bound by the Second Supplemental Trust Indebtedness dated as of July 1, 2011. The University has complied with all covenant requirements.

The debt is secured by a pledge of all University general receipts, excluding state appropriations and receipts previously pledged or otherwise restricted. Payment of bond principal and interest on the Bond Series 2009 is guaranteed under a municipal bond insurance policy.

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2016 follow (also see Note 12):

Fiscal Year	General Receipts Bonds		
	Principal	Interest	Total
2017	\$ 2,455,000	\$ 3,441,348	\$ 5,896,348
2018	2,550,000	3,334,196	5,884,196
2019	2,650,000	3,213,390	5,863,390
2020	2,760,000	3,082,822	5,842,822
2021	2,870,000	2,949,731	5,819,731
2022-2026	16,255,000	12,409,014	28,664,014
2027-2031	20,445,000	7,327,539	27,772,539
2032-2034	14,830,000	1,314,405	16,144,405
Totals	<u>\$ 64,815,000</u>	<u>\$ 37,072,445</u>	<u>\$ 101,887,445</u>

NOTE: Expected future federal subsidies for the BABs is \$5,761,414

Federal subsidies received by the University were \$499,551 in fiscal year 2016 and \$496,871 in fiscal year 2015. These are reported as non operating federal grant revenue. Interest expense on indebtedness was \$3,939,548 in fiscal year 2016 and \$3,454,055 in fiscal year 2015. On construction-related debt, net interest cost of \$64,656 was capitalized in fiscal year 2016, and \$149,795 in fiscal year 2015.

In September 2016, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2016 in an amount not to exceed \$28,500,000 to advance refund all or a portion of the prior bonds at an anticipated cost not to exceed \$23,000,000 and to acquire, construct, equip, furnish, reconstruct, alter, enlarge, remodel, renovate, rehabilitate or improve certain University facilities including but not limited to a bookstore at an anticipated cost not to exceed \$5,500,000.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 10 – Notes Payable

During fiscal year 2016, the University entered into a 14 year performance contract with Johnson Controls for campus energy savings measures. The contract amount of \$16 million includes an assured performance providing for an annual measured cost savings of not less than \$2 million per year and was financed through PNC Equipment Finance over 14 years at an interest rate of 3.366% and requires annual installment payments. Title to the assets vests in the University. Security of the debt is limited to the revenues appropriated for such purpose.

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 538,560	\$ 538,560
2018	616,894	538,560	1,155,454
2019	692,464	517,795	1,210,259
2020	773,026	494,487	1,267,513
2021	858,856	468,467	1,327,323
2022	950,241	439,558	1,389,799
2023	1,078,481	407,573	1,486,054
2024	1,202,940	371,271	1,574,211
2025	1,324,612	330,780	1,655,392
2026	1,438,534	286,194	1,724,728
2027	1,549,581	237,773	1,787,354
2028	1,712,798	185,614	1,898,412
2029	1,869,325	127,961	1,997,286
2030	1,932,248	65,039	1,997,287
Totals	<u>\$ 16,000,000</u>	<u>\$ 5,009,632</u>	<u>\$ 21,009,632</u>

During fiscal year 2006, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed with Chase Equipment Leasing, Inc. over 10 years, at an interest rate of 3.53%, and required equal annual installment payments. The final payment of \$1,179,666 was due December 23, 2015 and included \$40,222 in interest. Title to the assets vests in the University. The debt is secured by a pledge of all University general receipts, excluding State appropriations and receipts previously pledged or otherwise restricted.

The University has complied with all covenant requirements.

Note 11 – Operating Lease

The University had as an operating lease for the usage of mailroom equipment which ended April 30, 2016 and bears interest at 9.904%. Lease payments totaled \$18,347 in fiscal year 2016. Lease payments totaled \$198,877 in fiscal year 2015 and also included payments on a vehicle, and classroom and office space leases.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 12 – Long-Term Liabilities

Long-term liability activity (also see Notes 9, 10 and 13) for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 66,680,000	\$ -	\$ 1,865,000	\$ 64,815,000	\$ 2,455,000
Unamortized premium/discount	(21,004)	-	37,580	(58,584)	-
Bonds payable, net	66,658,996	-	1,902,580	64,756,416	2,455,000
Note payable	1,139,444	16,000,000	1,139,444	16,000,000	-
Compensated absences	9,843,762		827,332	9,016,430	604,117
Refundable advance	2,581,299	19,677	73,180	2,527,796	
Net pension liability					
OPERS	34,173,082	18,486,379	6,142,722	46,516,739	-
STRS	93,512,061	21,206,222	14,889,329	99,828,954	-
Net pension liability	127,685,143	39,692,601	21,032,051	146,345,693	-
Total long-term liabilities	<u>\$ 207,908,644</u>	<u>\$ 55,712,278</u>	<u>\$24,974,587</u>	<u>\$ 238,646,335</u>	<u>\$ 3,059,117</u>

Long-term liability activity (also see Notes 9, 10 and 13) for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 68,470,000	\$ -	\$ 1,790,000	\$ 66,680,000	\$1,865,000
Unamortized premium/discount	28,512	-	49,516	(21,004)	-
Bonds payable, net	68,498,512	-	1,839,516	66,658,996	1,865,000
Note payable	2,240,037	-	1,100,593	1,139,444	1,139,444
Compensated absences	9,896,456	230,000	282,694	9,843,762	736,034
Refundable advance	2,628,561	9,098	56,360	2,581,299	-
Net pension liability					
OPERS	-	34,173,082		34,173,082	-
STRS	-	111,390,955	17,878,894	93,512,061	-
Net pension liability	-	145,564,037	17,878,894	127,685,143	-
Total long-term liabilities	<u>\$ 83,263,566</u>	<u>\$ 145,803,135</u>	<u>\$21,158,057</u>	<u>\$ 207,908,644</u>	<u>\$3,740,478</u>

Note 13 – Defined Benefit Pension Plans

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice

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NOTES TO FINANCIAL STATEMENTS (CONT.)

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net position liability represents the University's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the University's obligation for this liability to annually required payments. The University cannot control benefit terms or the manner in which pensions are financed; however, the University does receive the benefit of employees' services in exchange for compensation including pension.

GASBs 68 and 71 assumes the liability is solely the obligation of the employer, because (1) the employer benefits from employee services; and (2) State statute requires all funding to come from the employer. All contributions to date have come solely from employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each pension plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll liabilities.

Plan Descriptions

University faculty are provided with pensions through STRS Ohio. Substantially all other University employees are provided with pensions through OPERS. Both OPERS and STRS Ohio are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS Ohio is authorized by Chapters 145 and 3307, respectively, of the Ohio Revised Code. Both OPERS and STRS Ohio issue publicly available financial reports. The OPERS report can be obtained at <https://www.opers.org/financial/reports.shtml>. The STRS Ohio report can be obtained at <https://www.strsoh.org/publications/annual-reports.html>.

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

OPERS and STRS Ohio Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service credit and final average salary (FAS). In addition to service retirement, participants are eligible for disability and survivor benefits.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

OPERS Member-Directed Plan and STRS Ohio Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and a portion of the employer contributions in an investment account. Portions of the employer contributions are allocated to the defined benefit unfunded liabilities. Benefits are based on the member's account value.

OPERS and STRS Ohio Combined Plans offer features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided

OPERS and STRS Ohio provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each pension plan and members must meet the eligibility requirements based on their age and years of service credit within the plan. Retirement eligibility also varies by division and transition group. Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2013 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 55 with 25 or more years of service credit or at age 60 with 5 years of service credit. State and Local members in transition Group C are eligible for retirement at age 57 with 25 years of service credit or at age 62 with 5 years of service credit.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service credit for the first 30 years of service credit and 2.5% for years of service credit in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service credit in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service credit. A factor of 1.25% is applied to years of service credit in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service credit and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both divisions of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety members in transition Groups A and B may file an application for full retirement benefits at age 48 or older with 25 or more years of service credit or 52 or older with 15 or more years of service credit. Public Safety members in transition Group C are eligible for benefits at age 52 or older with 25 years of service credit or at age 56 or older with 15 years of service credit. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of service credit for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years of service credit or at age 52 or older with 15 years of service credit. Law Enforcement Group C is eligible at age 48 or older with 25 years of service credit or at age 56 with 15 years of service credit. Annual benefits under both divisions are calculated by multiplying 2.5% of FAS by the actual years of service credit for the first 25 years of service credit, and 2.1% of FAS for each year of service credit over 25 years. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

STRS Ohio Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of FAS for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of FAS for the five highest years of earnings, multiplied by all years of service credit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or at age 55 with 25 years of service credit, or 30 years of service credit regardless of age. Age and service requirements for retirement increased effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service credit or age 65 and 5 years of service credit on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. Benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of FAS for the three highest paid years multiplied by years of total Ohio service credit. Effective Aug. 1, 2015, FAS will be average of the member's five highest salary years. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of service credit. The defined contribution portion of the Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all of their member contributions plus a portion of the employer contributions into an investment account. Investment allocation decisions are determined by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

A Defined Benefit Plan or Combined Plan member with 5 or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

Contributions

Employer and member contribution rates are established by the OPERS Board and the STRS Ohio Board subject to limits per Chapter 145 and Chapter 3307 of the Ohio Revised Code, respectively.

The employee contribution rates for the current and preceding two fiscal years follow:

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
7/1/15-6/30/16	13.0%	13.0%	10.0%	10.0%	13.0%	13.0%
7/1/14-6/30/15	12.0%	12.0%	10.0%	10.0%	13.0%	13.0%
1/1/14-6/30/14	11.0%	11.0%	10.0%	10.0%	13.0%	13.0%
7/1/13-12/31/13	11.0%	11.0%	10.0%	10.0%	12.6%	12.6%

The employer contribution rates for the current and preceding two fiscal years follow:

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
7/1/13-6/30/16	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%	18.10%	18.10%

University contributions equal to the required contributions for the current and two preceding years follow:

Employer Contributions								
Fiscal Year	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
2016	\$ 4,841,012	\$ 312,415	\$ 658,094	\$ 4,653,438	\$ 34,885	\$ 599,387	\$ 305,815	\$ -
2015	\$ 4,996,652	\$ 318,784	\$ 668,878	\$ 4,765,188	\$ 35,380	\$ 607,807	\$ 295,408	\$ -
2014	\$ 5,249,937	\$ 306,628	\$ 670,222	\$ 4,887,943	\$ 41,718	\$ 716,792	\$ 272,422	\$ -

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and June 30, 2015, the University reported a liability for its proportional share of the net pension liability of OPERS/STRS. The net pension liability was measured as of December 31, 2015 and December 31, 2014 for the OPERS plan and June 30, 2015 and June 30, 2014 for the STRS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all participating reporting units.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2016	2015	2016	2015	
OPERS	December 31	\$ 46,516,739	\$ 34,173,082	0.269315%	0.284240%	-0.014925%
STRS	July 1	99,828,954	93,512,061	0.361214%	0.384452%	-0.023238%
		<u>\$ 146,345,693</u>	<u>\$ 127,685,143</u>			

Total pension expense for the years ended June 30, 2016 and June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

Plan	Fiscal year 2016	Fiscal year 2015
	Total Pension Expense	Total Pension Expense
OPERS	\$ 6,942,880	\$ 4,603,326
STRS	3,122,847	4,075,088
Total	<u>\$ 10,065,727</u>	<u>\$ 8,678,414</u>

At June 30, 2016 and June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,554,639	\$ 981,432	\$ 900,257	\$ 635,671
Net difference between projected and actual earnings on pension plan investments	13,840,716	7,179,589	1,835,891	17,300,086
Change in proportionate share of contributions	13,414	6,547,866	-	-
University contributions subsequent to the measurement date	7,717,920	-	7,875,023	-
Totals	<u>\$ 26,126,689</u>	<u>\$ 14,708,887</u>	<u>\$ 10,611,171</u>	<u>\$ 17,935,757</u>

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Amounts reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the University's subsequent year's financial statements. Other cumulative amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
June 30	Amount	
2017	\$	(562,728)
2018		(331,328)
2019		417,114
2020		4,198,964
2021		(5,957)
Thereafter		(16,184)
Totals	\$	<u>3,699,881</u>

Actuarial Assumptions

The total pension liability is based on the results of actuarial valuations and was determined using the following actuarial assumptions, which were applicable to 2016 and 2015 valuation dates.

	OPERS	STRS
Actuarial cost method	Individual entry age	Entry age normal
Cost of living	Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.8% simple	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date
Salary increases, including inflation	4.25%-10.05%	12.25% at age 20 to 2.75% at age 70
Inflation	3.75%	2.75%
Investment rate of return	8%	7.75%, net of investment expenses, including inflation
Experience study date	Period of 5 years ended December 2010	Period of 5 years ended July 1, 2012
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)

Discount rate

The discount rate used to measure the total pension liability was 8.00% and 7.75% for OPERS and STRS, respectively. These discount rates were applicable to the 2015 and 2016 valuation dates. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made at the contractually required rates for all plans. Based on those assumptions, each pension

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected future real rates of return for each major asset class. The target allocation and expected real rates of return for each major asset class are summarized as follows:

OPERS			STRS Ohio		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Fixed income	23.0%	2.31%	Domestic equity	31.0%	8.00%
Domestic equity	20.7%	5.84%	International equity	26.0%	7.85%
International equity	18.3%	7.40%	Alternatives	14.0%	8.00%
Real estate	10.0%	4.25%	Fixed income	18.0%	3.75%
Private equity	10.0%	9.25%	Real estate	10.0%	6.75%
Other	18.0%	4.59%	Liquidity reserves	1.0%	3.00%
Totals	<u>100.0%</u>		Totals	<u>100.0%</u>	

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the University calculated using the discount rate below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate.

Plan	June 30, 2016 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
OPERS	7.00%	\$ 68,937	8.00%	\$ 46,517	9.00%	\$ 23,070
STRS	6.75%	138,670	7.75%	99,829	8.75%	66,983
		<u>\$ 207,607</u>		<u>\$ 146,346</u>		<u>\$ 90,053</u>

Plan	June 30, 2015 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
OPERS	7.00%	\$ 63,084	8.00%	\$ 34,173	9.00%	\$ 9,772
STRS	6.75%	133,872	7.75%	93,512	8.75%	59,381
		<u>\$ 196,956</u>		<u>\$ 127,685</u>		<u>\$ 69,153</u>

Pension plan fiduciary net position

Detailed information about OPERS and STRS Ohio fiduciary net position is available in the separately issued financial reports.

Payable to the Pension Plan

The University reported a payable of \$749,991 and \$984,705 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 14 – Other Post-employment Benefits (OPEB)

The Ohio Revised Code provides the statutory authority for public employers to fund post-retirement health care through their contributions to STRS Ohio and OPERS.

State Teachers Retirement System of Ohio (STRS Ohio)

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of the covered payroll was allocated to

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

post-employment health care for the year ended June 30, 2015 and 1% was allocated for the years ended June 30, 2014 and 2013. The University's contributions allocated to post-employment health care for the years ended June 30, 2015, 2014, and 2013 were \$0, \$374,996 and \$369,890, respectively.

Ohio Public Employees Retirement System (OPERS)

OPERS provides post-employment health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members was 2% during calendar years 2015 and 2014 and 1% in calendar year 2013. The portion of the University's calendar years 2015, 2014 and 2013 contributions to OPERS used to fund post-retirement benefits was \$692,105, \$715,110 and \$361,468, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 15 – Contingencies and Risk Management

The University is a defendant in various lawsuits. It is the opinion of University management that disposition of pending litigation will not have a material adverse effect on the financial statements of the University. The University receives grants and contracts from certain federal, state and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University's administration that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University was self-insured for all employee health care benefits through December 31, 2014. Effective January 1, 2015, the University became fully insured for dental and vision employee health care benefits. The self-insured plan includes stop loss provisions.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (also see Note 8) at June 30, 2016, June 30, 2015, and June 30, 2014 were as follows:

	2016	2015	2014
Liability at beginning of fiscal year	\$ 1,208,506	\$ 1,092,773	\$ 1,065,342
Current year claims including changes in estimates	12,942,152	15,057,709	13,199,498
Claim payments	(13,146,167)	(14,941,976)	(13,172,067)
Liability at end of fiscal year	<u>\$ 1,004,491</u>	<u>\$ 1,208,506</u>	<u>\$ 1,092,773</u>

Health insurance claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year end lag analysis. Differences between the estimated claims payable and actual claims paid are reported in the Statement of Revenues, Expenses and Changes in Net Position.

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities.

Note 16 – Component Unit

Youngstown State University Foundation (YSUF) is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. In order to maintain its public charity classification, YSUF must exclusively support the University, be responsive to its needs and distribute substantially all of its net income (other than net long-term capital gain) to the University. Because

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University.

YSUF is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's financial information in the University's financial report for these differences.

YSUF investments consist of the following at June 30, 2016 and 2015:

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at Juen 30, 2016
Investments					
Common stock - U.S. stocks	\$ 40,056,311	\$ -	\$ -	\$ -	\$ 40,056,311
Mutual funds:					
Exchange traded	36,239,950	-	-	-	36,239,950
Money market	5,890,174	-	-	-	5,890,174
Fixed income	26,063,391	-	-	-	26,063,391
Equity	23,849,330	-	-	11,296,714	35,146,044
Total mutual funds	<u>92,042,845</u>	<u>-</u>	<u>-</u>	<u>11,296,714</u>	<u>103,339,559</u>
Alternative investments:					
Private equity	-	-	10,249,382	-	10,249,382
Hedge funds	-	-	-	50,668,925	50,668,925
Commodities hedge funds	-	-	2,329,459	-	2,329,459
Total alternatives	<u>-</u>	<u>-</u>	<u>12,578,841</u>	<u>50,668,925</u>	<u>63,247,766</u>
Total	<u>\$ 132,099,156</u>	<u>\$ -</u>	<u>\$ 12,578,841</u>	<u>\$61,965,639</u>	<u>\$ 206,643,636</u>

Financial support from YSUF was \$7,722,375 for the fiscal year ended June 30, 2016 and 7,394,304 for the fiscal year ended June 30, 2015. Financial support from YSUF has been committed for fiscal year 2017 in the amount of \$8,067,599. In addition, rental income from YSUF of \$51,000 and \$27,000, respectively for the fiscal years ended June 30, 2016 and June 30, 2015 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Position.

In fiscal year 2016, the Foundation entered into a new lease agreement with the University wherein the Foundation began leasing a new building beginning in January 2016. Under the agreement, the Foundation prepaid \$1 million in rent in lieu of monthly rent payments through January 2031. Unearned revenue in the amount of \$947,587 is reflected in the University's Statement of Net Position at June 30, 2016.

Effective April 1, 2015, the University entered into a developmental services agreement with the Foundation, wherein the Foundation raises and maintains donations on behalf of the University. The Foundation remits all related funds which have been received to the University on a monthly

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

basis. As of June 30, 2016 and 2015, \$835,554 and \$509,770, respectively, has been collected by the Foundation but not remitted to the University. These amounts are included in Accounts Receivable on the Statement of Net Position.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation, 655 Wick Avenue, Youngstown, Ohio 44502.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of the University's Proportionate Share of the Net Pension Liability

OPERS

Fiscal Year	2016	2015
Measurement Date	1/1/15-12/31/15	1/1/14-12/31/14
University's proportion of the net pension liability (asset) net pension liability (asset)	0.269315%	0.284240%
University's proportionate share of the net pension liability (asset)	\$ 46,516,739	\$ 34,173,082
University's covered-employee payroll	\$ 39,715,198	\$ 40,769,505
University's proportionate share of the collective net pension liability as a percentage of the employers covered-employee payroll	117.13%	83.82%
Plan fiduciary net position as a percentage of the total pension liability	85.00%	84.00%

STRS Ohio

Fiscal Year	2016	2015
Measurement Date	7/1/14-6/30/15	1/1/14-12/31/14
University's proportion of the net pension liability (asset) net pension liability (asset)	0.361214%	0.384452%
University's proportionate share of the net pension liability (asset)	\$ 99,828,954	\$ 93,512,061
University's covered-employee payroll	\$ 42,774,459	\$ 44,313,510
University's proportionate share of the collective net pension liability as a percentage of the employers covered-employee payroll	233.38%	211.02%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%

NOTE: Years prior to 2015 are not available.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Contributions

OPERS

	2016	2015
Statutorily required contribution	\$ 4,994,138	\$ 5,095,976
Contributions in relation to the statutorily required contribution	\$ 4,994,138	\$ 5,095,976
Annual contribution deficiency	\$ -	\$ -
University's covered-employee payroll	\$ 39,458,926	\$ 40,264,007
Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	12.66%	12.66%

STRS Ohio

	2016	2015
Statutorily required contribution	\$ 5,153,427	\$ 5,318,436
Contributions in relation to the statutorily required contribution	\$ 5,153,427	\$ 5,315,436
Annual contribution deficiency	\$ -	\$ -
University's covered-employee payroll	\$ 41,521,217	\$ 42,774,459
Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	12.41%	12.43%

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION

Board of Trustees

Samantha P. Anderson	<i>Student Trustee</i>
Charles R. Bush	<i>Retired Cardiac Thoracic Surgeon</i>
Delores Crawford	<i>Community Affairs Director WKBN</i>
David C. Deibel	<i>Owner and President Boardman Steel</i>
Samuel W. Grooms	<i>Hy-Tek Material Handling, Inc. Chief Executive Officer</i>
Anita Hackstedde	<i>Salem Regional Medical Center President and Chief Executive Officer</i>
Dr. John R. Jakubek	<i>Anesthesiologist Bel-Park Anesthesia Associates, Inc. and St. Elizabeth Boardman Health Center</i>
Allan K. Metz	<i>Student</i>
James "Ted" Roberts	<i>Principal and President Roth, Blair, Roberts, Strasfeld & Lodge</i>
Leonard D. Schiavone, Vice-Chair	<i>Partner and Treasurer Friedman & Rummell Co., LPA</i>
Carole S. Weimer, Chair	<i>Retired Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board of Trustees</i>

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION (CONT.)

Executive Officers

Mr. James P. Tressel, M.A.	<i>President</i>
Dr. Martin A. Abraham	<i>Provost and Vice President for Academic Affairs</i>
Neal P. McNally, M.P.A.	<i>Vice President for Finance & Administration</i>
Holly A. Jacobs, J.D.	<i>Vice President for Legal Affairs and Human Resources</i>

YOUNGSTOWN STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Pass Through Number	Passed Through to Subrecipients	Federal Expenditures
Student Financial Aid Cluster				
Department of Education				
<i>Direct programs:</i>				
Federal Supplemental Educational Opportunity Grants	84 007			\$ 372,031
Federal Work Study Program	84 033			\$ 415,408
Federal Perkins Loan Program (see Note 2)	84 038			\$ 2,778,399
Federal Pell Grant Program	84 063			\$ 20,159,319
Federal Direct Student Loans (see Note 2)	84 268			\$ 63,047,691
Total Student Financial Aid Cluster				<u>\$ 86,772,848</u>
Research and Development Cluster				
Department of Commerce				
<i>Direct program:</i>				
Arrangements for Interdisciplinary Research Infrastructure	11 619		\$ 69,971	\$ 138,642
<i>Pass-through program:</i>				
Sea Grant Support				
National Oceanic & Atmospheric Administration (NOAA)				
The Ohio State University	11 417	60043506		\$ 5,114
Total Department of Commerce				<u>\$ 143,756</u>
Department of Defense				
<i>Direct program</i>				
Basic and Applied Scientific Research	12 300			\$ 170,495
<i>Pass-through program</i>				
Air Force Defense Research Sciences Program				
National Additive Manufacturing Institute				
The University of Texas at El Paso	12 800	26-3512-89-61		\$ 45,285
Youngstown Business Incubator	12 800	N/A		\$ 30,503
The University of Dayton	12 800	RSC15025		\$ 269,518
America Makes - The University of Dayton	12 800	RSC16035		\$ 107,320
Total Department of Defense	Total 12 800		\$ 45,422	<u>\$ 452,626</u>
				\$ 623,121
Department of the Interior				
<i>Pass-through program:</i>				
Water Research Institute Program				
The Ohio State University	15 805	6044141		\$ 2,374
Total Department of the Interior				<u>\$ 2,374</u>
Department of Transportation				
<i>Pass-through program</i>				
Highway Planning and Construction				
Ohio Department of Transportation	20 205	UT18641		\$ 13,260
Total Department of Transportation				<u>\$ 13,260</u>
National Aeronautics and Space Administration				
<i>Direct program:</i>				
Science	43 001			\$ 18,416
<i>Pass-through program:</i>				
Science				
Southern Illinois University	43 001	761582-005		\$ 18,562
Total National Aeronautics and Space Administration				<u>\$ 36,978</u>
National Science Foundation				
<i>Direct program</i>				
Engineering Grants	47 041			\$ 64,153
Mathematical and Physical Sciences	47 049			\$ 95,577
Biological Sciences	47 074			\$ 2,069
Education and Human Resources	47 076			\$ 3,545
<i>Pass-through program</i>				
Mathematical and Physical Sciences				
Case Western Reserve University	47 049	DMR-0423914		\$ 37,085
Computer and Information Science and Engineering				
The University of Akron	47 070	YSU 1-535326		\$ 2,191
Total National Science Foundation				<u>\$ 204,620</u>
Department of Energy				
<i>Direct program</i>				
Conservation Research and Development	81 086			\$ 14,029
Renewable Energy Research and Development	81 087			\$ 36,737
Total Department of Energy				<u>\$ 50,766</u>
Department of Education				
<i>Pass-through program:</i>				
Transition Programs for Students with Intellectual Disabilities into Higher Education				
The Ohio State University	84 407A	60051504		\$ 7,980
Total Research and Development Cluster				<u>\$ 1,082,855</u>

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

OTHER PROGRAMS

Department of Commerce:

<i>Direct program:</i>			
Economic Adjustment Assistance	11,307		\$ 29,155
<i>Pass-through program:</i>			
Congressionally Identified Awards and Projects			
Consortium for Oceanographic Research & Applied Scientific Research	11,469	SA#16-16	\$ 9,000
Total Department of Commerce			\$ 38,155

Department of Labor:

<i>Pass-through program:</i>			
Workforce Innovation Fund - Commonwealth of Pennsylvania			
West Central Job Partnership Inc	17,283	8030-J301	\$ 77,641
West Central Job Partnership Inc	17,283	8030-J401	\$ 282,191
Total Department of Labor			\$ 359,832

National Aeronautics and Space Administration:

<i>Direct program:</i>			
Science			
Total National Aeronautics and Space Administration	43,001		\$ 5,000
			\$ 5,000

National Endowment for the Humanities

<i>Pass-through program:</i>			
Promotion of the Humanities-Public Programs			
Grand Valley State University	45,163	GVSU-264730-01	\$ 15,239
Total National Endowment for the Humanities			\$ 15,239

Small Business Administration

<i>Pass-through program:</i>			
Small Business Development Centers			
Total Small Business Administration	59,037	N/A	\$ 184,075
			\$ 184,075

Department of Education

<i>Direct program:</i>			
TRIO-Upward Bound			
GEAR UP	84,334		\$ 1,500
<i>Pass-through program:</i>			
Special Education-Grant to States			
The University of Dayton	84,027	RSC15080	\$ 78,641
The University of Dayton	84,027	RSC16019	\$ 2,305
Total 84,027			\$ 80,945
Career and Technical Education-Basic Grant to States			
Ohio Department of Higher Education (formerly known as OBOR)	84,048	unknown	\$ (1)
College Access Act			
DC Department of Higher Education	84,unk	unknown	\$ 12,000
Twenty-First Century Community Learning Centers			
State of Ohio Department of Education	84,287	USAS 599	\$ 474,599
Statewide Project			
State of Ohio Department of Education	84,287	USAS 599	\$ 316,750
Total 84,287			\$ 791,348
Improving Teaching Quality State Grants			
State of Ohio Department of Education	84,367	USAS 590	\$ 204,239
Transition Programs for Students with Intellectual Disabilities into Higher Education			
The Ohio State University	84,407A	60027994	\$ 421
Total Department of Education			\$ 1,339,553

Department of Health and Human Services

<i>Direct program:</i>			
Nurse Anesthetist Traineeships			
	93,124		\$ 16,684
<i>Pass-through program:</i>			
Stephanie Tubbs Jones Child Welfare Services Program			
State of Ohio Department of Jobs and Family Services	93,645	G-1415-06-0357	\$ 3,355
State of Ohio Department of Jobs and Family Services	93,645	G-1617-06-0271	\$ 1,263
Total 93,645			\$ 4,618
Foster Care-Title IV-E			
State of Ohio Department of Jobs and Family Services	93,658	G-1415-06-0357	\$ 19,133
State of Ohio Department of Jobs and Family Services	93,658	G-1617-06-0271	\$ 49,162
Total 93,658			\$ 68,295
Medical Assistance Program			
The Ohio State University	93,778	G0066-C	\$ 9,688
Health Careers Opportunity Program			
Northeast Ohio Medical University	93,822	G0033-C	\$ 10,997
Total Department of Health and Human Services			\$ 110,282

Total Other Programs

\$ 2,052,135

Grand Total of Federal Expenditures

\$ 89,907,839

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Youngstown State University under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youngstown State University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Youngstown State University uses indirect cost rates ranging from 8-53% per the respective grant agreements.

Note 2 – Loans

Federal Direct Loan Program

The University participates in the Federal Direct Loan Program (84.268). The University originates but does not provide funding for Federal Direct Loans (FDL). The amount presented on the Schedule of Expenditures of Federal Awards represents the value of new FDL processed by the University for the year ended June 30, 2016.

Federal Perkins Loan Program

The amount presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program (84.038) represents the value of new loans made or received during the audit period and the administrative cost allowance, plus the beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. The amount outstanding for the Federal Perkins Loan Program at June 30, 2016 is \$2,298,881. Total new loans disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2016 were \$159,454, which includes the loans to students and administrative expenditures.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 3, 2016. Our report includes a reference to other auditors who audited the financial statements of the Youngstown State University Foundation, a component unit of the University, as described in our report on the University's financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on Compliance for Each Major Federal Program

We have audited Youngstown State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2016. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No



WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

For the Years Ended
June 30, 2016 and 2015

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 11, the Schedules of the Station's Proportionate Share of the Net Pension Liability and the Schedules of the Station's Contributions on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support on page 32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Nonfederal Financial Support is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Nonfederal Financial Support is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 29, 2016

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2016 with comparative information for the fiscal years ended June 30, 2015 and June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

The University operates WYSU-FM, a 50,000 watt radio station that serves the Mahoning and Shenango Valley regions with fine arts, news and information programming from its studios in Melnick Hall. WYSU-FM functions as a department of the Division of University Relations at the University. The Station broadcasts a mix of news and classical music programs on its main analog channel, HD1 (digital) channel, and an internet stream. WYSU-FM also broadcasts all classical music on its HD2 channel and second internet stream. The Station broadcasts at 88.5 MHz in Youngstown, Ohio, 90.1 MHz in Ashtabula, Ohio, and 97.5 MHz in New Wilmington, Pennsylvania.

WYSU-FM is a non-commercial, listener-supported, community-based public radio station committed to being the region's leading source for quality programming. It provides trusted in-depth news, engaging conversation and music that stimulates the mind and spirit. As one of YSU's most visible daily representatives to the community, WYSU-FM also strives to be a valuable ambassador to the community, providing a forum to promote the artistic and intellectual activities of the University.

Since 1969, public radio WYSU 88.5 FM has been northeast Ohio's and western Pennsylvania's source for the best in news and information programming, music, and entertainment. WYSU-FM is a charter National Public Radio (NPR) affiliate station. Every week thousands of listeners tune to the Station for its eclectic and innovative non-commercial program schedule including engaging news and information, great entertainment, and superb classical, jazz, and folk music – together providing a provocative, culturally rich, and intellectually stimulating journey for WYSU-FM listeners.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Using the Financial Statements

The Station's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the Station, the results of operations, and cash flows of the Station as a whole.

During fiscal year 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revise accounting for pension costs and liabilities.

Prior to GASBs 68 and 71, the accounting for pension costs, was focused on a funding approach, which limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan's *net pension liability*.

Under standards required by GASBs 68 and 71, the net pension liability equals the Station's proportionate share of each pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits. Pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. The unfunded portion of this pension promise is a present obligation, part of a bargained-for benefit to the employee, and should be reported by the Station as a liability since the benefit of the exchange was received.

However, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. The Station is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by the state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

liability of the pension system *against the public employer*. State law operates to mitigate/lessen the obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the public employer. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASBs 68 and 71, the Station's statements, prepared on an accrual basis of accounting, include an annual pension expense for the proportionate share of each pension plan's *change* in net pension liability.

Overall presentation elements of the financial statements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the Station's revenues, including the general appropriation from the University and membership revenue are considered nonoperating as defined by GASB Statement No. 35.
- Capital assets are reported net of accumulated depreciation.

Financial and Other Station Highlights

- In February 2016, the Station's entire operation moved to a new state-of-the-art facility, occupying over 4,000 square feet on the second floor of Melnick Hall on the YSU campus
- The average donation per member increased over 4% in fiscal year 2016
- Strong renewal rates in underwriters and an increase in lower level underwriters resulted in a nearly 4% increase in underwriting income

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Position

The Statements of Net Position present the financial position of the Station at the end of the fiscal year and include all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the Station. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the Statement of Net Position. Deferred outflows of resources include resources where the consumption is applicable to a future reporting period, but does not require further exchange of service. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Net position is one indicator of the financial condition of the Station, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 was as follows:

	June 30, 2016	June 30, 2015	June 30, 2014
Assets			
Current assets	\$ 1,656,140	\$ 2,132,802	\$ 1,920,570
Noncurrent assets			
Capital assets, net	193,913	95,076	112,628
Other assets	188,806	186,646	185,805
Total Noncurrent assets	<u>382,719</u>	<u>281,722</u>	<u>298,433</u>
Total Assets	<u>2,038,859</u>	<u>2,414,524</u>	<u>2,219,003</u>
Deferred Outflows of Resources	<u>202,174</u>	<u>54,268</u>	<u>-</u>
Liabilities			
Current liabilities	164,130	178,998	157,730
Noncurrent liabilities	698,622	523,143	91,312
Total Liabilities	<u>862,752</u>	<u>702,141</u>	<u>249,042</u>
Deferred Inflows of Resources	<u>12,185</u>	<u>7,755</u>	<u>-</u>
Total Net Position	<u>\$ 1,366,096</u>	<u>\$ 1,758,896</u>	<u>\$ 1,969,961</u>
Net Position			
Net investment in capital assets	193,913	95,076	112,628
Restricted	459,309	715,124	663,981
Unrestricted	712,874	948,696	1,193,352
Total Net Position	<u>\$ 1,366,096</u>	<u>\$ 1,758,896</u>	<u>\$ 1,969,961</u>

Current assets consist primarily of cash and cash equivalents, accounts receivable, and pledges receivable. Current assets decreased \$476,662 or 22% from fiscal year 2015 to fiscal year 2016. This was primarily due to a decrease in cash that was used for the Melnick Hall renovation project and expenses related to the Station's move to the new building in February 2016. Net capital assets increased \$98,837 or 104% from fiscal year 2015 to fiscal year 2016 due to new

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

purchases relating to the Station's move to Melnick Hall including new broadcasting equipment, a new tower, and a new transmitter.

Current assets increased \$212,232 or 11% from fiscal year 2014 to fiscal year 2015 mainly due to an increase in cash and accounts receivable. Included in accounts receivable were \$25,000 in capital gifts raised by the Youngstown State University Foundation (YSUF or the Foundation) during June 2015, subsequently disbursed to the University in July 2015. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Deferred outflows of resources and deferred inflows of resources consist of items relating to pensions. Certain elements impacting the change in the net pension liability have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings of pension plan investments, and changes in the proportionate share of contributions. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources. The Station adopted GASBs 68 and 71 in fiscal year 2015. The Station made no restatement for deferred outflows of resources and deferred inflows of resources for fiscal year 2014 as the information needed to generate these restatements was not available.

Deferred outflows of resources increased \$147,906 or 273% from fiscal year 2015 to fiscal year 2016. The increase was primarily due to a \$147,288 increase in the amount attributed to the net difference between projected and actual earnings on pension plan investments. Deferred inflows or resources increased \$4,430 or 57% from fiscal year 2015 to fiscal year 2016. The increase was due to differences between projected and actual experience.

Included in deferred outflows at June 30, 2015 was \$22,398 for the net difference between projected and actual earnings of pension plan investments. In addition, Station contributions to the pension plan subsequent to the measurement date of the pension plans were also reflected as deferred outflows of resources. Included in deferred inflows at June 30, 2015 was \$7,755 for the difference between projected and actual experience.

See Note 7 for additional information on Defined Benefit Pension Plans.

Liabilities consisting of accounts payable, unearned revenue, compensated absences, and net pension liability increased \$160,611 or 23% between fiscal year 2015 and fiscal year 2016. This was mainly due to an increase in the net pension liability of \$178,501 or 43%. Offsetting this increase, unearned revenue decreased \$13,174 or 8% due to a decrease in the annual grant awarded from the Corporation for Public Broadcasting (CPB). Generally the Station defers spending of the annual CPB grant funds to the subsequent fiscal year. Therefore if unspent, it is considered unearned revenue in the fiscal year in which funds are received.

Total liabilities increased \$453,099 or 182% between fiscal year 2014 and fiscal year 2015. Net pension liability and compensated absences accounted for the majority of the increase. Due to the adoption of GASBs 68 and 71, the Station recorded a net pension liability of \$408,436 at July

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

1, 2014. The net pension liability totaled \$416,913 at June 30, 2015. Unearned revenue at June 30, 2015 was greater than unearned revenue at June 30, 2014 due to an increase in the annual CPB grant awarded. Compensated absences balances increased due to personnel changes within the Station. Refer to Notes 5 and 6 for additional information about unearned revenue, compensated absences, and the net pension liability.

The following is a recap of total net position with the impact of the GASBs 68 and 71 pension expense accruals segregated.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net investment in capital assets	\$ 193,913	\$ 95,076	\$ 112,628
Restricted	459,309	715,124	663,981
Unrestricted	<u>1,118,299</u>	<u>1,319,096</u>	<u>1,193,352</u>
Total without GASBs 68 and 71	1,771,521	2,129,296	1,969,961
GASBs 68 and 71	<u>(405,425)</u>	<u>(370,400)</u>	-
Total Net Position	<u>\$ 1,366,096</u>	<u>\$ 1,758,896</u>	<u>\$ 1,969,961</u>

Total net position decreased \$392,800 or 22% from \$1,758,896 at June 30, 2015 to \$1,366,096 at June 30, 2016. The \$98,837 or 104% increase in net investment of capital assets was due to new equipment purchases for the Station's new facility space in Melnick Hall. The decrease of \$255,815 or 36% in restricted net position was primarily due to a general appropriation from the Station to the University of \$385,778 for the Melnick Hall renovation project. Offsetting the decrease in the restricted net position were capital gift donations of \$87,600 to the Melnick Hall project fund during fiscal year 2016. Excluding the impact of GASBs 68 and 71, unrestricted net position decreased \$200,797 or 15% as the result of excess expenses over revenues, with the expenses primarily used for the Melnick Hall renovation project.

Overall the Station's net position decreased \$211,065 or 11% from \$1,969,961 at June 30, 2014 to \$1,758,896 at June 30, 2015. The \$51,143 or 8% increase in restricted net position was mainly due to \$50,000 in capital gift donations to fund the Station's new facility space. The Station dedicated \$527,500 of the restricted expendable funds for renovations to be completed during fiscal year 2016. The \$244,656 or 21% decrease in unrestricted net position includes a \$378,802 decrease due to the adoption of GASBs 68 and 71 and an increase of \$125,744, which was primarily due to an excess of membership and underwriting revenue over expenses. The \$17,552 or 16% decrease in net investment in capital assets from fiscal year 2014 to fiscal year 2015 was due to depreciation expense.

The Statements of Revenues, Expenses, and Changes in Net Position

These statements present the operating results and the nonoperating revenues and expenses of the Station. The revenues and expenses are reported as either operating or nonoperating. Operating revenues are generated by an annual Community Service Grant from CPB (a portion of which is restricted) and an annual grant from the Broadcast Educational Media Commission (BEMC), which is administered by the State of Ohio. In accordance with the 2014-2015 Biennial Budget

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Bill (HB59), the eTech Ohio Commission was reconstituted as the Broadcast Educational Media Commission, effective July 1, 2013. In addition, in-kind support is received from BEMC and includes support for transmission of Radio Reading Service Programming. Operating revenues also include contributions from area businesses (program underwriting). Operating expenses are incurred to vendors and employees for providing goods or services for the overall operations of the Station. Net nonoperating revenues include the general appropriation from the University, donated facilities and administrative support from the University, membership revenue, net revenue from fund raising, and net investment income.

A summary of the Station's revenues, expenses, and changes in net position follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Operating Revenues	\$ 426,299	\$ 372,297	\$ 370,570
Total Operating Expenses	<u>1,553,929</u>	<u>1,309,130</u>	<u>1,269,967</u>
Operating Loss	(1,127,630)	(936,833)	(899,397)
Net Nonoperating Revenues	<u>647,230</u>	<u>1,054,570</u>	<u>1,005,300</u>
Gain Before Other Revenue, Expenses, and Changes	(480,400)	117,737	105,903
Total Other Revenue, Expenses, and Changes	<u>87,600</u>	<u>50,000</u>	<u>77,500</u>
Change in Net Position	(392,800)	167,737	183,403
Net Position at Beginning of the Year, as originally stated	1,758,896	1,969,961	1,786,558
Cumulative effect of GASB 68 and 71 implementation	-	(378,802)	-
Net Position at Beginning of the Year, as restated	<u>1,758,896</u>	<u>1,591,159</u>	<u>1,786,558</u>
Net Position at End of the Year	<u>\$ 1,366,096</u>	<u>\$ 1,758,896</u>	<u>\$ 1,969,961</u>

Overall, the Station's total operating revenues increased \$54,002 or 15% between fiscal year 2015 and fiscal year 2016. The revenue from the annual CPB grant that was unearned until fiscal year 2016 was \$11,078 or 8% more than the revenue unearned from the fiscal year 2015 CPB grant. In-kind contributions increased \$27,661 or 23% mainly due to an increase in in-kind support from the BEMC. In addition, the BEMC increased their subsidy support, resulting in an increase of \$11,983 or 52% in the BEMC grant over the prior year.

Total operating revenue increased \$1,727 or .5% between fiscal year 2014 and fiscal year 2015. The revenue from the annual CPB grant that was unearned until fiscal year 2015 was \$2,822 or 2% less than the revenue unearned from the fiscal year 2014 CPB grant. In addition, a strong renewal rate in underwriters resulted in an increase of \$4,124 or 5% in underwriting revenue.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following is a recap of total operating expenses with the impact of the GASBs 68 and 71 pension expense accruals segregated.

	June 30, 2016	June 30, 2015	June 30, 2014
Program Services	\$ 924,260	\$ 720,238	\$ 744,631
Support Services	594,644	597,294	525,336
Operating Expenses without GASBs 68 and 71 accruals	1,518,904	1,317,532	1,269,967
GASBs 68 and 71 pension expense accruals	35,025	(8,402)	-
Total Operating Expenses	\$ 1,553,929	\$ 1,309,130	\$ 1,269,967

Excluding the impact of GASBs 68 and 71, total operating expenses increased \$201,372 or 15% between fiscal year 2015 and fiscal year 2016, primarily due to a \$204,022 or 28% increase in program services. Within program services, broadcasting expense increased \$188,666 or 92% over the prior year and was largely due to small equipment purchases, maintenance, satellite fees and software fees related to the Station's move to Melnick Hall. Changes in the staff duties during fiscal year 2016 resulted in increases and decreases within the support services categories, but overall expense remained flat compared to the prior year.

Due to the unavailability of information, fiscal year 2014 operating expenses were not restated for the adoption of GASBs 68 and 71. Excluding the impact of GASBs 68 and 71, total operating expenses increased \$47,565 or 4% between fiscal year 2014 and fiscal year 2015. This was due to a combination of a decrease in program services of \$24,393 or 3% and an increase in support services of \$71,958 or 14%. In the program services category, programming and production accounted for the greatest decrease as radio programming fees were lower in fiscal year 2015 compared to fiscal year 2014. In the support services category, fund raising and membership development decreased primarily due to the Spring 2015 grand prize not being accepted as of June 30, 2015. Underwriting and clerical expenses both increased due to personnel changes and a shift in staff duties.

Total net nonoperating revenues decreased \$407,340 or 39% from fiscal year 2015 to fiscal year 2016. This decrease was primarily due to a general appropriation to the University of \$385,778 during fiscal year 2016. The general appropriation to the University related to restricted donations to the Station for the Melnick Hall project that were transferred to the University for building improvements to Melnick Hall, where the Station moved to in February 2016.

Total net nonoperating revenues increased \$49,270 or 5% from fiscal year 2014 to fiscal year 2015. Membership income and the general appropriation from the University increased, whereas investment income decreased. Membership income increased \$49,683 or 21%, mainly due to an increase in the Station's membership base, as well as a 15% increase in the average donation per member. The general appropriation from the University increased \$15,696 or 3%, the result of an increase in compensated absences due to personnel changes. Investment income decreased \$19,427 or 76%, primarily due to unrealized losses incurred in fiscal year 2015 compared to unrealized gains in fiscal year 2014.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Other revenues, expenses and changes consist of capital gifts. Between fiscal year 2015 and fiscal year 2016, capital gifts increased \$37,600 or 75% due to an increase in gifts for the Melnick Hall renovation project. Capital gifts decreased \$27,500 or 35% from fiscal year 2014 to fiscal year 2015. This was mainly due to fewer gifts received in fiscal year 2015 to fund to the Station's new facility space.

Economic Factors for the Future

Looking to the future, management believes that the Station will continue its favorable financial position and level of excellence to its constituents. As a major community service arm of Youngstown State University, WYSU-FM reaches thousands of listeners over the airways each day in eight counties in Ohio and three in Pennsylvania. The Station also reaches many other listeners and former members of the community throughout the country and around the world through its streaming services and smart phone applications. With the continued support of the University's Board of Trustees and administration, the generous loyalty of WYSU-FM's listener-members, and the support of businesses, non-profit organizations, and foundations, WYSU-FM has maintained stability during challenging economic times.

A major focus during fiscal year 2016 was the Station's move to Melnick Hall. The Station successfully migrated all technology services from Cushwa Hall to Melnick Hall and moved into a newly remodeled, state-of-the-art facility occupying over 4,000 square feet on the second floor of the building in February 2016. The Station funded the remodeling, at a cost of over \$550,000, with grants and gifts, as well as purchased over \$200,000 in broadcast equipment. In addition to providing the same level of service to the public and Station staff, the Station now has increased redundancy and reliability in key pieces of infrastructure including audio routing, transmission backup, administrative tools, and studio sound quality. Management anticipates the new facility will provide the Station with a heightened community visibility and opportunities for new and expanded collaborations and more local programming.

Membership and underwriting, the Station's two streams of public support, continue to be a crucial element in the Station's future. Although the membership base had decreased 4% and membership income remained flat in fiscal year 2016 compared to fiscal year 2015, the average donation per member increased 4%. Conversely, underwriting income increased nearly 4% from fiscal year 2015 to fiscal year 2016, primarily due to a strong renewal rate in underwriters and an increase in lower level underwriters. WYSU-FM is dedicated to maintaining strong relationships with its members and underwriters as work continues to provide them and all listeners with a direct, personal connection to the University, as well as lifelong learning and personal development opportunities through the Station's fine arts and news and information programming.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET POSITION AT JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,581,469	\$ 2,049,267
Interest receivable	310	389
Accounts receivable (net of allowance of \$185 in 2016 and \$1,128 in 2015)	28,915	35,123
Pledges receivable (net of allowance of \$2,778 in 2016 and \$3,006 in 2015)	45,446	48,023
Total Current Assets	1,656,140	2,132,802
Noncurrent Assets		
Endowment investments	188,806	186,646
Capital assets, net	193,913	95,076
Total Noncurrent Assets	382,719	281,722
Total Assets	2,038,859	2,414,524
DEFERRED OUTFLOWS OF RESOURCES		
Pension OPERS	202,174	54,268
Total Deferred Outflows of Resources	202,174	54,268
LIABILITIES		
Current Liabilities		
Accounts payable	7,022	7,122
Unearned revenue	147,976	161,150
Compensated absences	9,132	10,726
Total Current Liabilities	164,130	178,998
Noncurrent Liabilities		
Compensated absences	103,208	106,230
Net pension liability	595,414	416,913
Total Noncurrent Liabilities	698,622	523,143
Total Liabilities	862,752	702,141
DEFERRED INFLOWS OF RESOURCES		
Pension OPERS	12,185	7,755
Total Deferred Inflows of Resources	12,185	7,755
NET POSITION		
Net investment in capital assets	193,913	95,076
Restricted - Nonexpendable	108,153	108,153
Restricted - Expendable	351,156	606,971
Unrestricted	712,874	948,696
Total Net Position	\$ 1,366,096	\$ 1,758,896

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 145,521	\$ 134,443
In-kind contributions	147,319	119,658
Broadcast Education Media Commission grant	35,149	23,166
Underwriting revenue	98,310	95,030
Total Operating Revenues	426,299	372,297
EXPENSES		
Operating Expenses		
Program Services		
Programming and production	472,415	439,981
Broadcasting	393,554	204,888
Program information	68,024	64,453
Traffic and continuity	7,170	6,905
Support Services		
Management and general	289,148	257,854
Fund raising and membership development	82,488	128,642
Underwriting	109,791	99,208
Clerical	107,310	89,647
Depreciation	24,029	17,552
Total Operating Expenses	1,553,929	1,309,130
Operating Loss	(1,127,630)	(936,833)
NONOPERATING REVENUES (EXPENSES)		
General appropriation from the University	537,580	579,141
General appropriation to the University	(385,778)	-
Donated facilities and administrative support from the University	181,329	166,645
Membership revenue	286,237	286,835
Special revenues from fund raising (net of expenses of \$3,944 in 2016 and \$3,370 in 2015)	17,257	15,771
Investment gain, net of investment expense	10,605	6,178
Net Nonoperating Revenues	647,230	1,054,570
Gain Before Other Revenues, Expenses, and Changes	(480,400)	117,737
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital gifts	87,600	50,000
Total Other Revenues, Expenses, and Changes	87,600	50,000
Change in Net Position	(392,800)	167,737
NET POSITION		
Net Position at Beginning of the Year	1,758,896	1,591,159
Net Position at End of the Year	\$ 1,366,096	\$ 1,758,896

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Cash Flows from Operating Activities		
Receipts from Corporation for Public Broadcasting grant	\$ 131,649	\$ 145,521
Receipts from Broadcast Educational Media Commission grant	35,149	23,166
Business and underwriting support	104,766	70,217
Payments to suppliers	(498,886)	(345,938)
Payments to employees	(494,393)	(493,257)
Payments for benefits	(177,214)	(150,054)
Total Cash Flows Used in Operating Activities	(898,929)	(750,345)
Cash Flows from Noncapital Financing Activities		
General appropriation from the University	537,580	579,141
General appropriation to the University	(385,778)	-
Membership receipts	288,814	323,307
Fundraising receipts	21,201	19,141
Payments for fundraising	(3,944)	(3,370)
Total Cash Flows Provided by Noncapital Financing Activities	457,873	918,219
Cash Flows from Investing Activities		
Interest on investments	10,684	5,788
(Purchase) sale of investments	(2,160)	(841)
Total Cash Flows Provided by Investing Activities	8,524	4,947
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts	87,600	50,000
Purchase of capital assets	(122,866)	-
Total Cash Flows Provided by Capital and Related Financing Activities	(35,266)	50,000
Change in Cash and Cash Equivalents	(467,798)	222,821
Cash and Cash Equivalents, Beginning of Year	2,049,267	1,826,446
Cash and Cash Equivalents, End of Year	\$ 1,581,469	\$ 2,049,267
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,127,630)	\$ (936,833)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	24,029	17,552
Donated facilities and administrative support from the University	181,329	166,645
Changes in assets and liabilities:		
Accounts receivable, net	6,208	(25,994)
Prepaid expenses	-	501
Accounts payable, compensated absences, and unearned revenue	(17,890)	36,186
Net pension liability	178,501	38,111
Deferred outflows of resources	(147,906)	(54,268)
Deferred inflows of resources	4,430	7,755
Net Cash Flows Used in Operating Activities	\$ (898,929)	\$ (750,345)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) is operated as a department of the Division of University Relations at Youngstown State University (the University or YSU) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting (CPB).

The financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the Station have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

Under the provisions of GASB Statement No. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets - Capital assets, net of accumulated depreciation, and the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Nonexpendable - Resources subject to externally imposed stipulations that they be maintained permanently by the Station. Such resources include the Station's permanent endowment fund corpus balance.
- Restricted Expendable - Resources whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time. Such resources include the restricted portion of the CPB's Radio Community Service Grant, donations for the Melnick Hall renovation project, and endowment earnings.
- Unrestricted - Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for Station programs, initiatives, and capital projects.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The Station reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

Cash Equivalents - The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Endowment Policy - The University Endowment Fund consists of 99 named funds, which includes the Station's endowment. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Prior to July 2015, the University's policy was to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval. Effective July 2015 a new endowment spending policy was implemented where annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable - Accounts receivable consist of underwriting charges for various Station programs. Also included are amounts due from private sources in connection with reimbursement of allowable expenditures under the applicable Station grants and contracts. Accounts receivable also include gifts collected by the YSU Foundation as part of a development services agreement. Accounts are recorded net of allowance for uncollectible accounts.

Pledges Receivable - The Station receives pledges of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are recorded net of an allowance for uncollectible amounts and are discounted to net present value.

Capital Assets - Capital assets are comprised of equipment and stated at cost or fair value at date of gift. The capitalization threshold for equipment is \$5,000. Depreciation is computed using

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

the straight-line method over the estimated useful life of the asset. The estimated useful life for equipment is 3 to 7 years. The antenna and tower are depreciated over 10 years.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred.

Unearned Revenue - Unearned revenue includes amounts received from grants and contract sponsors that have not yet been earned.

Compensated Absences - Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Station uses the termination method to accrue sick leave compensated absences on the Statement of Net Position.

Deferred Outflows and Inflows of Resources - Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the Station's financial statements consist of differences between projections and actual in the OPERS pension plan and contributions subsequent to the measurement date of the plan. Deferred inflows of resources in the Station's financial statements consist of differences between projections and the actual in the OPERS pension plan.

Pensions - For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position has been determined on the same basis as reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

General Appropriation from the University - The general appropriation represents support from the University for salaries and operating expenses not provided through other sources.

General Appropriation to the University - The general appropriation represents support from the Station to the University for capital projects.

Donated Facilities and Administrative Support - Donated facilities and administrative support represent the Station's allocated amounts of institutional support and donated facilities and is recorded as nonoperating revenue and expenses in the Statement of Revenue, Expenses, and Changes in Net Position. Administrative support is based on the Station's pro-rata share of the University's total salaries, wages, and administrative expenses. Donated facilities are the

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Station's pro-rata share of the University's total plant expenses along with calculated occupancy costs.

Income Taxes - The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation - Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The principal operating revenues include two grants, one from the CPB and one from the Broadcast Educational Media Commission (BEMC), along with underwriting revenue from area businesses. Principal operating expenses include programming, production, broadcasting, fundraising, and management services and support. The principal nonoperating revenues are the general appropriation from the University and membership support.

Release of Restricted Funds - When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Station's policy to apply restricted resources first, then unrestricted resources as needed.

Management's Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Reclassification - Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation. These reclassifications had no effect on the total net position or change in net position.

Note 2 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements and certificates of deposit.

The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is \$357,738 and \$2,083,878 at June 30, 2016 and June 30, 2015, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The University's cash and cash equivalents at June 30, 2016 and June 30, 2015 consisted of the following:

	2016	2015
Carrying Amount (Cash and cash equivalents)	<u>\$ 15,893,972</u>	<u>\$ 11,472,554</u>
FDIC Insured	\$ 5,769,116	\$ 5,817,914
Uninsured but collateralized by pools of securities pledged by the depository banks	4,927,221	3,883,274
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>5,882,625</u>	<u>3,274,251</u>
Bank Balance	<u>\$ 16,578,962</u>	<u>\$ 12,975,439</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks.

The Station's cash and cash equivalents are included in these totals and were \$1,581,469 and \$2,049,267 at June 30, 2016 and June 30, 2015, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2016 and June 30, 2015, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

The University's investment policy authorizes the University to invest endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements.

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by Huntington Trust. The Station's investments represent a portion of the University's endowment investments. University endowment investments were \$8,776,929 as of June 30,

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2016 and \$8,784,183 as of June 30, 2015. The Station's portion of the University endowment investments were \$188,806 as of June 30, 2016 and \$186,646 as of June 30, 2015.

The University's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor.

As of June 30, 2016, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ 7,557,213	\$ -	\$ -	\$ 7,557,213
Corporate Bonds	9,921,463	-	-	9,921,463
Foreign Bonds	115,597	-	-	115,597
U.S. Government Bonds	1,828,911	-	-	1,828,911
Bond Mutual Funds	9,813,823	-	-	9,813,823
Preferred and Common Stock	6,255,968	-	-	6,255,968
Equity Mutual Funds	27,829,070	-	-	27,829,070
Totals	<u>\$63,322,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,322,045</u>

As of June 30, 2015, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ 7,427,958	\$ -	\$ -	\$ 7,427,958
Corporate Bonds	9,845,758	-	-	9,845,758
Foreign Bonds	100,406	-	-	100,406
U.S. Government Bonds	1,618,225	-	-	1,618,225
Bond Mutual Funds	11,211,109	-	-	11,211,109
Preferred and Common Stock	5,987,195	-	-	5,987,195
Equity Mutual Funds	26,867,528	-	-	26,867,528
Totals	<u>\$63,058,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,058,179</u>

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2016, the Station had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 20,202	\$ 1,510	\$ 12,461	\$ 6,231	\$ -
Foreign Bonds	2,077	2,077	-	-	-
U.S. Government Bonds	13,594	-	13,594	-	-
Bond Mutual Funds	3,399	3,399	-	-	-
Preferred and Common Stock	133,674	133,674	-	-	-
Equity Mutual Funds	15,860	15,860	-	-	-
Totals	\$ 188,806	\$ 156,520	\$ 26,055	\$ 6,231	\$ -

All callable stocks were assumed to mature in less than one year.

As of June 30, 2015, the Station had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 26,131	\$ 6,159	\$ 7,093	\$ 12,879	\$ -
Foreign Bonds	2,053	-	2,053	-	-
U.S. Government Bonds	11,199	-	5,973	5,226	-
Bond Mutual Funds	4,293	4,293	-	-	-
Preferred and Common Stock	125,612	125,612	-	-	-
Equity Mutual Funds	17,358	17,358	-	-	-
Totals	\$ 186,646	\$ 153,422	\$ 15,119	\$ 18,105	\$ -

All callable stocks were assumed to mature in less than one year.

As of June 30, 2016, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 20,202	\$ -	\$ 11,156	\$ 7,903	\$ 1,143	\$ -
Foreign Bonds	2,077	-	2,077	-	-	-
U.S. Government Bonds	13,594	-	13,594	-	-	-
Bond Mutual Funds	3,399	590	946	331	1,508	24
Totals	\$ 39,272	\$ 590	\$ 27,773	\$ 8,234	\$ 2,651	\$ 24

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2015, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 26,131	\$ -	\$ 10,703	\$ 9,071	\$ 6,357	\$ -
Foreign Bonds	2,053	-	2,053	-	-	-
U.S. Government Bonds	11,199	-	11,199	-	-	-
Bond Mutual Funds	4,293	784	1,177	574	1,743	15
Totals	<u>\$ 43,676</u>	<u>\$ 784</u>	<u>\$ 25,132</u>	<u>\$ 9,645</u>	<u>\$ 8,100</u>	<u>\$ 15</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2016 and 2015, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable assets:				
Antenna and tower	\$ 475,691	\$ 79,109	\$ 5,943	\$ 548,857
Studio and broadcast equipment	383,210	43,757	157,546	269,421
Total cost	858,901	122,866	163,489	818,278
Less: Accumulated depreciation	763,825	24,029	163,489	624,365
Capital assets, net	<u>\$ 95,076</u>	<u>\$ 98,837</u>	<u>\$ -</u>	<u>\$ 193,913</u>

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable assets:				
Antenna and tower	\$ 475,691	\$ -	\$ -	\$ 475,691
Studio and broadcast equipment	383,210	-	-	383,210
Total cost	858,901	-	-	858,901
Less: Accumulated depreciation	746,273	17,552	-	763,825
Capital assets, net	<u>\$ 112,628</u>	<u>\$ (17,552)</u>	<u>\$ -</u>	<u>\$ 95,076</u>

Note 5 – Unearned Revenue

Unearned revenue at June 30, 2016 and June 30, 2015 consisted of the following:

	2016	2015
Corporation for Public Broadcasting grant	\$ 131,649	\$ 145,521
Underwriting agreements	16,327	15,179
Other unearned revenue	-	450
Total unearned revenue	<u>\$ 147,976</u>	<u>\$ 161,150</u>

Note 6 – Long-Term Liabilities

Long-term liability activity (also see Note 7) for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 116,956	\$ -	\$ 4,616	\$ 112,340	\$ 9,132
Net pension liability	416,913	256,549	78,048	595,414	-
Total long-term liabilities	<u>\$ 533,869</u>	<u>\$ 256,549</u>	<u>\$ 82,664</u>	<u>\$ 707,754</u>	<u>\$ 9,132</u>

Long-term liability activity (also see Note 7) for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 99,650	\$ 17,306	\$ -	\$ 116,956	\$ 10,726
Net pension liability	-	416,913	-	\$ 416,913	-
Total long-term liabilities	<u>\$ 99,650</u>	<u>\$ 434,219</u>	<u>\$ -</u>	<u>\$ 533,869</u>	<u>\$ 10,726</u>

Note 7 – Defined Benefit Pension Plans

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net position liability represents the Station's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Station's obligation for this liability to annually required payments. The Station cannot control benefit terms or the manner in which pensions are financed; however, the Station does receive the benefit of employees' services in exchange for compensation including pension.

GASBs 68 and 71 assumes the liability is solely the obligation of the employer, because (1) the employer benefits from employee services; and (2) State statute requires all funding to come from the employer. All contributions to date have come solely from employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each pension plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll liabilities.

Plan Description

Substantially all Station employees are provided with pensions through the OPERS, which is a statewide cost-sharing multiple employer defined benefit pension plan. Authority to establish and amend benefits for OPERS is authorized by Chapter 145 of the Ohio Revised Code. OPERS issues publicly available financial reports which can be obtained at <https://www.opers.org/financial/reports.shtml>.

OPERS offers three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

OPERS Defined Benefit Plan pays service retirement benefits using a fixed formula based on age, years of service credit and final average salary (FAS). In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan is an optional alternative retirement plan available to new members. Participants allocate both member and a portion of the employer contributions in an investment account. Portions of the employer contributions are allocated to the defined benefit unfunded liabilities. Benefits are based on the member's account value.

OPERS Combined Plan offers features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided

OPERS provides retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each pension plan and members must meet the eligibility requirements based on their age and years of service credit within the plan. Retirement eligibility also varies by division and transition group. Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2013 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 55 with 25 or more years of service credit or at age 60 with 5 years of service credit. State and Local members in transition Group C are eligible for retirement at age 57 with 25 years of service credit or at age 62 with 5 years of service credit.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service credit for the first 30 years of service credit and 2.5% for years of service credit in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service credit in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

FAS for the first 30 years of service credit. A factor of 1.25% is applied to years of service credit in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service credit and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

Contributions

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. For the years ended June 30, 2016 and June 30, 2015, the employee contribution rate was 10% and the employer contribution rate was 14%. The Station's contributions to OPERS were \$65,109, \$64,597, and \$61,627 for the fiscal years ended

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016, 2015, and 2014, respectively. There were no contributions made to the ARP for the fiscal years ended June 30, 2016, 2015 and 2014. Contributions were equal to the required contributions for each year as set by state statute.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and June 30, 2015, the Station reported a liability of \$595,414 and \$416,913, respectively for its proportional share of the net pension liability. The net pension liability was measured as of December 31, 2015 and December 31, 2014 for the plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Station's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all participating reporting units. The Station's proportionate share was 0.00345% and 0.00347% for 2016 and 2015, respectively.

Total pension expense for the years ended June 30, 2016 and June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, was \$100,134 and \$56,195, respectively. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

At June 30, 2016 and June 30, 2015, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46	\$ 12,185	\$ -	\$ 7,755
Net difference between projected and actual earnings on pension plan investments	169,686	-	22,398	-
Change in proportionate share of contributions	171	-	-	-
Station contributions subsequent to the measurement date	32,271	-	31,870	-
Totals	<u>\$ 202,174</u>	<u>\$ 12,185</u>	<u>\$ 54,268</u>	<u>\$ 7,755</u>

Amounts reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Station's subsequent year's financial statements. Other cumulative amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Year Ended	Amount
June 30	
2017	\$ 36,972
2018	39,934
2019	43,254
2020	37,920
2021	(95)
Thereafter	(267)
Totals	<u>\$ 157,718</u>

Actuarial Assumptions

The total pension liability is based on the results of actuarial valuations and was determined using the following actuarial assumptions, which were applicable to 2016 and 2015 valuation dates.

Actuarial Assumptions	
Actuarial cost method	Individual entry age
Cost of living	Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.8% simple
Salary increases, including inflation	4.25%-10.05%
Inflation	3.75%
Investment rate of return	8%
Experience study date	Period of 5 years ended December 2010
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount rate

The discount rate used to measure the total pension liability was 8.00% and was applicable to the 2015 and 2016 valuation dates. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made at the contractually required rates for all plans. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

target asset allocation percentage, adjusted for inflation. The target allocation and expected real rates of return for each major asset class are summarized as follows

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.0%	2.31%
Domestic equity	20.7%	5.84%
International equity	18.3%	7.40%
Real estate	10.0%	4.25%
Private equity	10.0%	9.25%
Other	18.0%	4.59%
Totals	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Station calculated using the discount rate below, as well as what the Station's net pension liability would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate.

(\$ in thousands)							
June 30,	1% Decrease		Current Discount Rate		1% Increase		
2016	7.00%	\$ 882	8.00%	\$ 595	9.00%	\$ 295	
2015	7.00%	770	8.00%	417	9.00%	120	

Pension plan fiduciary net position

Detailed information about OPERS fiduciary net position is available in the separately issued financial reports.

Payable to the Pension Plan

The Station reported a payable of \$5,432 and \$5,356 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 8 - Related Party

Youngstown State University Foundation is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. The Foundation is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. During fiscal year 2015, the University entered into a development services agreement with the Foundation, wherein the Foundation

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

raises and maintains donations on behalf of the University. The Foundation remits all related funds, which have been received, on a monthly basis.

The operations of WYSU-FM are supported by general appropriations from the University. In addition to direct support received through grant awards and underwriting revenue attributable to WYSU-FM's operations, the University covers operating costs of WYSU-FM. The University's support allocation totaled \$537,580 and \$579,141 in direct support for fiscal years 2016 and 2015, respectively, and \$181,329 and \$166,645 in indirect administrative support and donated facilities for fiscal years 2016 and 2015, respectively. During fiscal year 2016, WYSU-FM appropriated \$385,778 of donations restricted to the Melnick Hall renovation project to the University.

Note 9 – Risk Management

WYSU-FM is included in the University's insurance programs. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each University's loss history. The University had no significant reductions in coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Station's Proportionate Share of the Net Pension Liability

OPERS			
Fiscal Year	2016	2015	
Measurement Date	1/1/15-12/31/15	1/1/14-12/31/14	
Station's proportion of the net pension liability (asset)	0.00345%	0.00347%	
Station's proportionate share of the net pension liability (asset)	\$ 595,414	\$	416,913
Station's covered-employee payroll	\$ 493,694	\$	478,895
Station's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll	120.60%	87.06%	
Plan fiduciary net position as a percentage of the total pension liability	85.00%	84.00%	

NOTE: Years prior to 2015 are not available.

Schedule of the Station's Contributions

OPERS			
	2016	2015	
Statutorily required contribution	\$ 65,109	\$	64,597
Contributions in relation to the Statutorily required contribution	\$ 65,109	\$	64,597
Annual contribution deficiency	\$ -	\$	-
Station's covered-employee payroll	\$ 465,061	\$	461,406
Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	14.00%	14.00%	

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SUPPLEMENTARY INFORMATION

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2016

Direct Income	\$	1,066,735
Indirect Administrative Support		181,329
In-Kind Contributions of Services and Other Assets		<u>130,777</u>
Total Nonfederal Financial Support	\$	<u>1,378,841</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated November 29, 2016.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 29, 2016



YOUNGSTOWN STATE UNIVERSITY

Youngstown State University
Audit Subcommittee Charter

Purpose

The primary function of the Audit Subcommittee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the institution's accounting and financial reporting processes and audits by monitoring:

- the integrity of the University's financial statements,
- the independence, qualifications, and performance of its external and internal auditors,
- the University's system of internal controls, and
- the University's compliance with laws, regulations and codes of conduct.

Subject to State Auditor's role and requirements, the Audit Subcommittee will be responsible for the appointment, compensation, retention, oversight and evaluation of the University's external and internal auditors. The Audit Subcommittee shall maintain an effective, open avenue of communication among the external auditors, internal auditors, senior management and the Board of Trustees.

The Subcommittee's function is one of oversight, and as such it recognizes that management is responsible for preparing the financial statements and that the external auditors are responsible for auditing those financial statements.

The Subcommittee has the authority to retain legal, accounting and other advisors to assist in the performance of its responsibilities. The University shall compensate the independent auditors and advisors employed by the Audit Subcommittee, and provide for associated administrative expenses.

Structure

The Audit Subcommittee is a subcommittee of the Finance & Facilities Committee of the Board of Trustees of Youngstown State University. Board members are appointed by the Governor of the State of Ohio. The Board will seek to ensure financial expertise on the Audit Subcommittee through appointments and training. Further, no member of the Audit Subcommittee may concurrently serve on the Investment Subcommittee.

Meetings

The Audit Subcommittee shall meet at least quarterly and at any other convenient date on an as-needed basis. The Audit Subcommittee may ask members of management or others to attend Audit Subcommittee meetings and provide pertinent information when needed. The Audit Subcommittee shall meet periodically with management, external auditors and the independent Internal Auditor.

Date Last Reviewed _____ 12-2015 _____

Youngstown State University
Audit Subcommittee Charter

Functions and Responsibilities

Internal Control

1. Review with management, Internal Audit and external auditors the adequacy and effectiveness of the University's policies for assessing and managing risk.
2. Examine internal and external auditors' findings of weaknesses and recommendations for the improvement of internal controls. Monitor management's response to and implementation of internal control recommendations.

Financial Reporting

1. Review annual financial statements prior to public release and discuss such statements with management and the independent auditors.
2. Discuss any changes in accounting principles, significant judgment areas and significant or complex transactions (including any off-balance sheet structures) that occurred. Consider management's handling of proposed audit adjustments identified by the independent auditors.
3. Consult with auditors and accounting personnel on the integrity of the internal and external financial reporting process. Determine if key reporting objectives are being met.

Independent Auditors

1. Serve as the authority to which the independent auditors report.
2. Review, at least annually, all relationships between the independent auditors and the University and assess the independent auditors' independence.
3. Review the audit scope and approach of the independent auditors' examinations and direct the auditors to areas that, in the Audit Subcommittee's opinion, require more attention. Audit engagement letters are to be addressed to the Audit Subcommittee rather than to management.
4. Discuss with the independent auditors any significant findings, difficulties, disagreements with management, restrictions on scope of the audit, or limitations on information or personnel encountered while performing the audit.
5. Pre-approve all significant audit and permitted non-audit services and related fees to be performed by the University's independent auditors. The Chairperson of the Audit Subcommittee shall have the authority to review and approve all such proposals and shall report back to the full Subcommittee at each meeting.

Internal Auditors

1. Review and examine the objectivity, effectiveness and resources of the internal audit function.
2. Concur in the appointment or replacement of the provider of internal audits services.
3. Review the internal audit plan for the current year and review the risk assessment procedures used to identify projects included in the plan.
4. Review the results of internal audit activities and track the progress of the internal audit plan.

Date Last Reviewed _____ 12-2015 _____

Youngstown State University
Audit Subcommittee Charter

Other

1. Ensure that appropriate code(s) of conduct/ethics are formalized in writing. Review management's monitoring of compliance therewith, including changes or waivers to the code(s).
2. Review legal and regulatory matters that may have a material impact on the financial statements and the related compliance policies and procedures.
3. Ensure that procedures exist for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Periodically review summary reports of such complaints.
4. Review and assess, at least every three years, the Audit Subcommittee's charter and performance, and submit changes to the charter for approval of the Board.
5. Recommend to the Board policies for hiring employees or former employees of the independent auditor.
6. Perform other oversight functions as requested by the Board of Trustees.

Date Last Reviewed _____ 12-2015 _____

12-2015 Audit Subcommittee Charter

Youngstown State University
Internal Audit Charter

Introduction:

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Youngstown State University (“the University”). It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University’s governance, risk management, and internal control.

Role:

The internal audit activity is established by the Board of Trustees (“Board”) and its responsibilities are defined by the Audit Subcommittee (“Subcommittee”) of the Board as part of its oversight role.

Professionalism:

The internal audit activity will govern itself by adherence to the Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

The Institute of Internal Auditors’ Practice Advisories, Implementation Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the University relevant policies and procedures.

Authority:

The internal audit activity, with strict accountability and confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the University’s records, physical properties, and personnel pertinent to carrying out any audit engagement. All employees are expected to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Subcommittee and the Board.

Organization:

The Director of Internal Audit & Risk Management (“Director”) will report functionally to the Subcommittee and administratively (i.e. day to day operations) to the Vice President for Finance & Business Operations.

The Subcommittee will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan
- Approve the internal audit budget and resource plan
- Receive communication from the Director on the internal audit activity’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

Independence and Objectivity:

The internal audit activity will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary, independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor’s judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director will confirm to the Subcommittee, at least annually, the organizational independence of the internal audit activity.

Responsibility:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University’s governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University’s stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the University's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the University.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Subcommittee.
- Evaluating specific operations at the request of the Subcommittee or management, as appropriate.

Internal Audit Plan:

At least annually, the Director will submit to senior management and the Subcommittee an internal audit plan for review and approval by the Subcommittee. The internal audit plan will consist of a summary work schedule as well as budget and resource requirements for the next fiscal year. The Director will communicate the impact of resource limitations and significant interim changes to senior management and the Subcommittee. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Subcommittee. The Director will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Subcommittee.

Reporting and Monitoring:

A written report will be prepared and issued by the Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Subcommittee. The internal audit report will include management’s response and corrective action plan in regard to the specific findings and recommendations. Management’s response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Director will periodically report to senior management and the Subcommittee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management or the Subcommittee.

Internal Audit Activity Charter

Approved this 30th day of November, 2016.

Director, Internal Audit & Risk Management

Chair of Audit Subcommittee

Vice President of Finance & Business Operations